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Europe's Business Newspaper

FRIDAY DECEMBER 4 1992

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Outlook improves for agreement at European summit

Unexpected progress towards an overall agreement at next week's European summit in Edinburgh was made yesterday on two of the main issues - Denmark's demands for "clarification" of the Maastricht treaty and the future enlargement of the European Community. EC governments last night gave a cautious welcome to British proposals aimed at making the Maastricht treaty acceptable to Denmark. At the same time, Germany and France agreed that negotiations on the enlargement of the EC should start at the beginning of next year and be completed at the end of 1993. UK proposals, Page 25; Franco-German deal, Page 3; Editorial Comment, Page 20; Why France is afraid, Page 20; Survival will suffice, Page 21.

Battle halts air strikes Relief flights to Sarajevo were suspended for the third day running as relentless artillery fire pounded the Bosnian capital's Muslim-held suburbs. Meanwhile international pressure grew for UN military intervention to halt the bloodshed. Calls for tough action, Page 3; Editorial Comment, Page 20.

Somalia: France may send troops to a military force organised by the United Nations to get food to starving Somalis. The French contribution of about 2,000 men would be added to the 20,000 offered by the US. Page 23.

Bombs rock English city Sixty-four people were injured when two bombs exploded in Manchester, a big provincial city in northern England. A telephone warning was given only after the first bomb had gone off. Page 8.



Gutfreund deal Salomon Brothers' former chief executive John Gutfreund (left) is to forfeit \$100,000 to settle charges that he and three other executives of the Wall Street securities house failed properly to supervise the firm's government bond trading desk between 1989 and 1991 when there was illegal bidding during Treasury auctions. Page 23.

Japan: The economy is slipping dangerously close to outright recession, according to government figures which show the economy contracting at 1.6 per cent a year in the third quarter. Page 4.

General Motors of the US is to close nine more North American plants and dispose of some components operations as part of its sweeping restructuring plan. More than 18,000 jobs will go. Page 23.

Grand Metropolitan, food, drink and retail group, reported full-year taxable profits down 5.1 per cent to \$902m (\$1.3bn). Strong gains from the IDV drinks division were offset by lower earnings from the Pillsbury and Green Giant food operations. Page 23; Lex, Page 22.

Minister to sue newspapers Norman Lamont, Britain's chancellor of the exchequer, has engaged leading legal lawyers to take action against five newspapers over the affair of his credit card transactions.



Ford Mondeo: Pre-production models of the car that will replace the Ford Sierra in Europe early next year have gone on test with fleet users in Germany, the UK and Finland. The Mondeo, which cost almost \$8m to develop, is the first car engineered by Ford in Europe for production and marketing in Europe and North America. Ford may cut European workforce, Page 3.

Swedish air crash Three people were killed when a small aircraft crashed near Stockholm city airport and set a block of flats on fire. All three victims were Swedes.

Oil tanker ablaze A Greek oil tanker broke in two and caught fire after running aground off La Coruña in northern Spain. Oil began spilling into the sea, threatening the coast with a disastrous oil slick. Picture, Page 22; Tanker ablaze, Page 3.

STOCK MARKET INDICES		STERLING	
FT-SE 100	2,710.0 (+6.5)	New York Composite	1,598.3
Yield	4.37	London	1,598.3
FT-SE Eurotrack 100	1,055.11 (+3.0)	Frankfurt	1,598.3
FT-A All Share	1,212.13 (+0.29)	Paris	1,598.3
Nikkei	17,250.88 (-133.6)	Madrid	1,598.3
New York Composite	1,598.3 (+0.29)	Berlin	1,598.3
Dow Jones Ind Ave	2,710.0 (+6.5)	Stockholm	1,598.3
S&P Composite	429.72 (-0.17)	Oslo	1,598.3
US LUNCHTIME RATES		DOLLAR	
Federal Funds	3 1/4%	New York Composite	1,598.3
3-mo T-bill	5.38%	London	1,598.3
Long Bond	7.00%	Frankfurt	1,598.3
Yield	7.50%	Paris	1,598.3
LONDON MONEY		DOLLAR	
3-mo interbank	7 1/4%	New York Composite	1,598.3
Libor 3-mo	7 1/4%	London	1,598.3
NORTH SEA OIL (Aargau)		DOLLAR	
Brent 15-day (Jan)	\$18.125 (+18.75)	New York Composite	1,598.3
WTI	\$18.125 (+18.75)	London	1,598.3
GOLD		DOLLAR	
New York Comex (Dec)	\$335.5 (+25.5)	New York Composite	1,598.3
London	\$335.5 (+25.5)	London	1,598.3

Shares fall sharply as Britain is warned over its democracy proposals for colony

Beijing threatens to end deal on Hong Kong

By Simon Holberton and Simon Davies in Hong Kong

THE ROW between Britain and China over democracy in Hong Kong deepened yesterday when Beijing hinted that it might revoke the 1984 Sino-British agreement on the colony's future. The warning is the latest move in the campaign by Beijing to persuade the UK to withdraw its proposals to extend the scope of democracy in Hong Kong. In the 1984 joint declaration Beijing promised the territory would be allowed to maintain its capitalist system for 50 years. The threat came after the Hong Kong stock market registered its largest one-day drop in share prices since June 1989 when the Tiananmen Square demonstration and the suppression of the Beijing democracy movement led to a more than 20 per cent fall in the market. At the close yesterday, the Hang Seng index, the market's barometer, was 434.44 points, or 8 per cent, lower at 4,978.21. Since its peak three weeks ago, the index has fallen nearly 23 per cent. Selling was frantic, with turnover of HK\$5.3bn (\$686m). A

China's market force
Patten urged to adopt less
abrasive style
World markets
Page 4
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Investment banking group became the first casualty of the collapse of confidence when it was forced to withdraw its HK\$300m flotation. Other new issues appear likely to be postponed. The only outcome which would satisfy the business community would be for the governor, Mr Chris Patten, to drop his proposals immediately. But, even with the stock market down more than 1,000 points this week, there is little expectation this will happen. In Beijing, the foreign ministry said the issue facing Britain was now "whether the Sino-British Joint Declaration and the other agreements reached between the two sides are still needed". The ministry added that the only way to solve the problem was for the "British Hong Kong authorities to return to the agreements reached between China and Britain". Last night the Hong Kong gov-



Chris Patten: the Hong Kong business community wants his proposals for political development dropped

ernment said Britain had made clear it was "prepared to hold discussions without preconditions" with China on matters relating to a smooth transition of sovereignty in 1997. It said it was committed to the full implementation of the joint declaration. The rapid deterioration in Sino-British relations has caused serious concern among the people of Hong Kong and their political leaders. Local legislators were critical of China's scare tactics

and feared for the effect they were having on local morale. Further volatility in Hong Kong share prices appears inevitable. Already market conditions have undermined the new issues market. South China Brokerage, which yesterday withdrew its HK\$300m flotation due to be launched on Monday, said: "Under these conditions, there is no point in putting pressure on underwriters." Separately, the company has

also become the first securities house in the current climate to invoke the *force majeure* clause in an underwriting agreement. The clause permits the withdrawal of an underwriting commitment in situations of material and unforeseeable change. South China had underwritten a HK\$72m covered warrant issue on China Light and Power shares; by last night, the shares were 22 per cent below the warrant's strike price.

Major set to seek Clinton's support

By Simon Holberton in Hong Kong

MR JOHN MAJOR, the British prime minister, is expected to ask US president-elect Bill Clinton to see Mr Chris Patten, Hong Kong's governor, as soon as possible after his January 20 inauguration. Britain hopes to persuade the US not to place conditions on its renewal of China's most favoured nation trading status, in part because of the effect it would have on the Hong Kong economy. At the same time, Mr Patten hopes to win Mr Clinton's endorsement for his plans for more democracy in the colony. It is hoped that the US could, behind the scenes, support the governor's proposals. "The US is the only country in the world that has any influence on the Chinese leadership," said one British official. The manoeuvre will have to be conducted carefully. China is already incensed by what it sees as the "internationalisation" of the Hong Kong issue. Canada, Australia and the US have been criticised by Beijing for supporting Mr Patten's proposals. Mr Clinton will be required by June 3 next year to approve China's MFN renewal. During Mr George Bush's presidency, Democrats in both houses of the US Congress have favoured placing conditions on MFN renewal.

Continued on Page 23

Recession threatens as west German GNP falls

By Christopher Parkes in Frankfurt

GERMANY slid further towards recession in the third quarter this year and new indicators suggest the downturn is accelerating. Gross national product in the west of the country fell a real 1.5 per cent between the second and third quarters of this year, official figures show. Industrial output has fallen sharply since and unemployment has risen further. Meanwhile, the number of company failures has grown by 13 per cent this year after falling steadily for the previous seven. Mr Jürgen Möllemann, econom-

ics minister, said the latest growth figures were a clear warning of a further downturn, which must be avoided if recovery in the east was not to be hit. Mr Möllemann and Chancellor Helmut Kohl have both recently described conditions as recessionary, but the Bundesbank says the economy is "returning to normal" after rapid post-unification growth. There is worse to come, according to the Ifo economics institute in Munich, which yesterday forecast a real 3 per cent drop in industrial output in 1993, after a 1.5 per cent decline this year. The one bright spot was a wages settlement, reached over-

night, giving steelworkers a rise of just over 3 per cent for 18 months. This deal, together with moderate demands from other unions, suggests the economic downturn and the prospect of job losses have had a powerful impact on wage hopes. The Bundesbank would see this as a positive indicator, but on its own insufficient to cut interest rates, economists said. Real GNP in the third quarter was unchanged - officially "minus 0.0 per cent" - compared with the same period last year. Year-on-year growth in the first quarter was 3.2 per cent, but this dipped to only 0.6 per cent in the second quarter.

Gross domestic product, which excludes overseas earnings, was a real 1 per cent up on the comparable period of 1991. However, this measure was 0.5 per cent down on the previous quarter, continuing a falling trend. According to the economics ministry, capital spending fell a real 3 per cent in the three months under review and private demand dropped 0.5 per cent. Other figures indicate further weakening. West German manu-

facturing industry output in September and October was 2.6 per cent lower than a year earlier. Production of capital goods and consumer products slumped 3.9 per cent and 3.6 per cent respectively. The impact on the labour market showed up in an unadjusted rise of 54,000 in west German unemployment during November and an increase of more than 150,000 to almost 600,000 in numbers working short-time. Mean-

while the number of vacancies fell by more than 30,000. According to Mr Heinrich Franke, head of the Labour Office, the jobless total in the west would rise to 2.1m next year, assuming forecasts of all economic growth are correct, and 1.2m - about 100,000 more than now - in the east.

Blank forecast, Page 2
Lex, Page 22
Strong growth by banks, Page 23

Weakness of D-Mark eases devaluation fears for franc

By Peter John, Emma Tucker and Tracy Corrigan in London

FEARS that the French franc would have to be devalued retreated yesterday after a much weaker D-Mark gave the currency a temporary reprieve. A string of gloomy economic figures from Germany, and news that the steelworkers had agreed on a low wage settlement, sent the D-Mark sharply lower against other European currencies and the dollar. Ireland, meanwhile, arranged to borrow up to DM4bn (\$2.5bn) from German banks to support the punt, which has been under strain within the European exchange rate mechanism. Ireland's National Treasury Management Agency organised the loans with a group of leading German banks, including the country's three largest, Deutsche, Dresdner and Commerzbank. Dublin's strategy to keep the currency resembles the UK's Ecu10bn (\$12.3bn) borrowing programme announced on September 3 in an effort - ultimately unsuccessful in Britain's case - to hold sterling above its ERM floor.

In London yesterday, the pound benefited from its position outside the ERM to gain heavily against the D-Mark and the dollar. It ended the day almost 4 pence stronger against the German currency at DM2.475, its highest close for almost six weeks. Against the dollar it closed at \$1.5685, just under two cents stronger on the day. The franc was buoyed early in the day by a statement from Mr Michel Sapin, the French finance minister, that France and Germany would do all they could,

jointly, to preserve the parity of the franc and D-Mark. His statement, together with small amounts of intervention by the French central bank, pushed the franc higher against the D-Mark to close at FF3.404, comfortably above its ERM floor of FF3.4035. Selling of the D-Mark which had started in the Far East overnight, accelerated when the European markets opened. The D-Mark's loss was the pound's gain as investors switched funds. "I think the pound is benefiting from the fact that it has formed a solid base at around DM2.40 and is outside the turmoil of the ERM," said Mr Stephen Hannah, head of research at IBJ International. But many analysts remained sceptical that the jump in sterling boded much more than a temporary reassessment. Mr Brian Hilliard, an economist at Société Générale Strauss Turbail said: "It is a very encouraging development and shows that there is at least some floor under sterling, but we don't see this as a significant breakout."

Currencies, Page 37

STERLING	
New York Composite	1,598.3
London	1,598.3
Frankfurt	1,598.3
Paris	1,598.3
Madrid	1,598.3
Berlin	1,598.3
Stockholm	1,598.3
Oslo	1,598.3

DOLLAR	
New York Composite	1,598.3
London	1,598.3
Frankfurt	1,598.3
Paris	1,598.3
Madrid	1,598.3
Berlin	1,598.3
Stockholm	1,598.3
Oslo	1,598.3

RAISED IN THE HIGHLANDS.



THE
FAMOUS GROUSE
FINEST SCOTCH WHISKY

QUALITY IN AN AGE OF CHANGE.

Calls grow for tough action against Serbs

By Robert Mautner,
Diplomatic Editor

THE worsening plight of Bosnia's Moslem population is putting increasing pressure on the international community for firmer action, including military measures, against the Bosnian Serbs.

The Islamic countries, in particular, have stepped up their campaign for the use of force against the Bosnian Serbs, whose "ethnic cleansing" campaign has been responsible for the deaths or expulsion from their homes of tens of thousands of Moslems. Their outrage was expressed at a meeting of the 30-member Organisation of the Islamic Conference in Jeddah, which ended in the early hours of yesterday morning with a call to the United Nations Security Council to review the situation in Bosnia-Herzegovina and the implementation of relevant UN resolutions before January 15.

The more militant of the Islamic countries, such as Iran, are urging the UN to lift its embargo on arms deliveries to Bosnian Moslems and have even said they are ready to send troops to Bosnia, albeit "within the framework of international law".

Such concern is being treated very seriously by western governments, who fear a spread of the Bosnian conflict to Kosovo and Macedonia if the Serbs are not kept in check.

If that happened, a general Balkan conflagration, with the participation of neighbouring countries such as Greece and Turkey, to say nothing of Moslem countries from outside the region, would be difficult to

avoid. Even so, most western governments continue to be opposed to full-scale military intervention in Bosnia, which goes beyond the task of military protection for humanitarian aid convoys, such as provided by British and French troops under the UN flag in Bosnia and Croatia.

The reasons for this reluctance were summed up by the

Serbia's electoral authorities rejected Yugoslav Prime Minister Milan Milosevic as a candidate for the Serbian presidency yesterday, saying he failed to meet residency requirements, Reuters reports from Belgrade.

The electoral commission said Mr Milosevic had 48 hours to appeal against the decision, which would end his attempt to remove hardline nationalist rival Slobodan Milosevic from the Serb leadership in elections on December 30.

Serbian law requires all candidates to be a citizen and resident in the country for at least a year. Mr Milosevic's aides say he fulfils the requirements, having rented a Belgrade apartment for over a year.

British foreign and defence secretaries, Mr Douglas Hurd and Mr Malcolm Rifkind, in separate interviews yesterday.

Mr Hurd stressed that a political solution could not be imposed by the use of outside military force.

Mr Rifkind said that the British government considered it very unwise to get sucked into a civil war by deploying large numbers of ground forces. "Tens of thousands, probably over 100,000, would almost certainly be exposed to very

heavy casualty and would be unlikely to bring peace," Mr Rifkind said.

If that is also the opinion of all the other western powers - and all the indications are that France, at least, shares the British view - what are the alternatives which will be discussed at the emergency conference on Bosnia to be held in Geneva on December 16?

International sanctions imposed by the UN can still be tightened further, but no one believes that this alone will change Serbia's policies.

The one military measure that appears to be acceptable to all the western countries, including Britain, is the enforcement of the "no-fly" zone over Serbia, imposed by the UN last October.

Although no violations of the flying ban by Serb fixed-wing aircraft have been reported, the UN has become increasingly concerned that the Serbs are using helicopters to transport their senior military officers throughout Bosnia.

Any decision to shoot down Serb planes violating the ban would have to be authorised by another UN resolution. The original resolutions of several members of the Security Council, including Britain and France, have been swept away by the growing realisation that tougher action is necessary.

Other more imaginative steps, including perhaps the creation of safe havens for Moslems on the northern Iraq model, will have to complement such a limited military measure as the enforcement of the "no-fly" zone, if the Islamic countries are to be satisfied.

Editorial comment, Page 20



A British member of the UN force in Bosnia giving a piece of chocolate to a child in the town of Lijesnica as his armoured vehicle passes through. The British were on a convoy mission to the central Bosnian town of Maglaj, which is the target of daily shelling by Serbian forces

Ford may cut workforce in Europe by 10%

Heavy losses are forcing company into restructuring

By Kevin Done,
Motor Industry Correspondent

FORD, the US car maker, is expected to announce shortly a wave of redundancies at its European plants with the elimination of several thousand jobs.

The company, which has fallen heavily into loss in the second half of this year following a record loss in 1991, is preparing a series of restructuring measures which could include a cut of around 10 per cent of the workforce of its European automotive operations which currently totals around 97,400.

In the UK a planned ballot by trade unions at Ford plants for industrial action against compulsory redundancies and a cut in lay-off pay will probably be postponed until January to take account of the next wave of job cuts.

In the UK Ford has already had two rounds of job cuts this year with 2,100 redundancies announced in February and 1,500 in September.

Ford said yesterday that it was being forced to cut production at all its European vehicle assembly plants during December in the face of continuing weak sales and excess stocks.

The company, which has slipped to fifth place in the west European new car market, has announced sweeping production cuts at its assembly

plants in Germany, the UK, Belgium and Spain as well as at several of its main components plants.

At Genk in Belgium, which produces the Sierra, there will be no car output after December 11 with the elimination of 12 production days, while output of the Transit van there will stop on six days.

Output of the Ford Fiesta and Scorpio cars at Cologne, Germany, is to be halted for four days during December, while production of gearboxes will be stopped for eight days.

Production of the Escort will be stopped for three days at the Saarlouis plant in Germany, while output of the Escort at Ford's Halewood plant in the UK will be stopped for seven days together with the elimination of four night shifts.

The Fiesta car assembly plant at Dagenham will be closed for five days and the night shift will be cut on four more days while seven shifts will be cut at the Southampton Transit van plant.

The Valencia, Spain plant which produces the Fiesta and Escort cars was closed for a week at the end of November and will lose one more day.

Ford is spending nearly \$60m to develop and launch the Mondeo, the first mid-sized car that its European and US units will produce and market jointly worldwide.

France and Germany agree on enlargement timetable

By Quentin Peel in Bonn

GERMANY and France agreed last night that negotiations on enlarging the European Community should start at the beginning of next year and be concluded by the end of it.

The clear commitment to a rapid start in the negotiations emerged from discussions in Bonn yesterday between President Francois Mitterrand and Chancellor Helmut Kohl at their regular Franco-German summit.

However, a senior French official warned that the negotiations could still be held up by failure to reach a compromise on the future financing of the Community, including an increase in funds for the southern member states.

Mr Dieter Vogel, the German spokesman, said that the two leaders were agreed on pressing ahead with the enlargement talks as rapidly as possible. "This has been a top German and British priority."

Mr Jean Musitelli, the French spokesman, said the two had also discussed the current state of the Gatt trade liberalisation talks, and agreed they should not be a significant issue at the EC summit in Edinburgh next week.

"The problem of Gatt should not weigh down the negotiations in Edinburgh. It is not the central problem."

He said it was clear that the most complicated problem was now the future financing of the Community, although this was not a prob-

lem between Germany and France.

The budget problem particularly concerns the southern countries of the Community led by Spain, which insists that a substantial increase in funds must be made available before there can be any start to enlargement negotiations.

German officials said earlier that there had been very close and extensive co-operation between London and Bonn and London and Paris on the problem for Edinburgh.

Mr Vogel said, "The chancellor and the president agreed that an acceptable compromise for the future financing of the EC must be found. On this question the European Council at Edinburgh must come to an acceptable solution."

Challenge to Craxi splits Socialists

By Robert Graham in Rome

THE Italian Socialist party has suffered a damaging split following an abortive attempt to topple Mr Bettino Craxi from the party leadership by his one-time protégé, Mr Claudio Martelli, the justice minister.

The split threatens to deepen as Mr Martelli, who made his challenge at a special party assembly last week, has no intention of dropping his bid for the leadership.

Mr Craxi insists he is staying on. He appears to believe he is the person most suited to renovate the party no matter how discredited he has become as a result of the Milan municipal corruption scandal.

Mr Martelli mustered a surprisingly large 33 per cent of the assembly vote against Mr

Craxi. This formalised a split between what might be called the official and opposition wings of the party.

Before the corruption scandal broke in Mr Craxi's fiefdom of Milan in February, such opposition was unthinkable. He was the unquestioned leader who had pushed factionalism to the side-lines over the previous decade.

His support at the assembly was deceptive. Many voted for him either because they judged the moment inappropriate to oust him or because they mistrusted Mr Martelli.

If Mr Martelli had secured a majority of votes, the ensuing ructions among the Socialists could have destabilised the four-party government coalition.

UN action on nutrition

By Robert Graham in Rome

THE INTERNATIONAL community is likely to place greater emphasis on action to combat hunger and poverty as a result of a UN-sponsored conference which opens in Rome tomorrow.

The seven-day International Conference on Nutrition is the first time the UN's resources in the Food and Agriculture Organisation and the World Health Organisation have been pooled on such a scale in the struggle to eliminate hunger and reduce malnutrition.

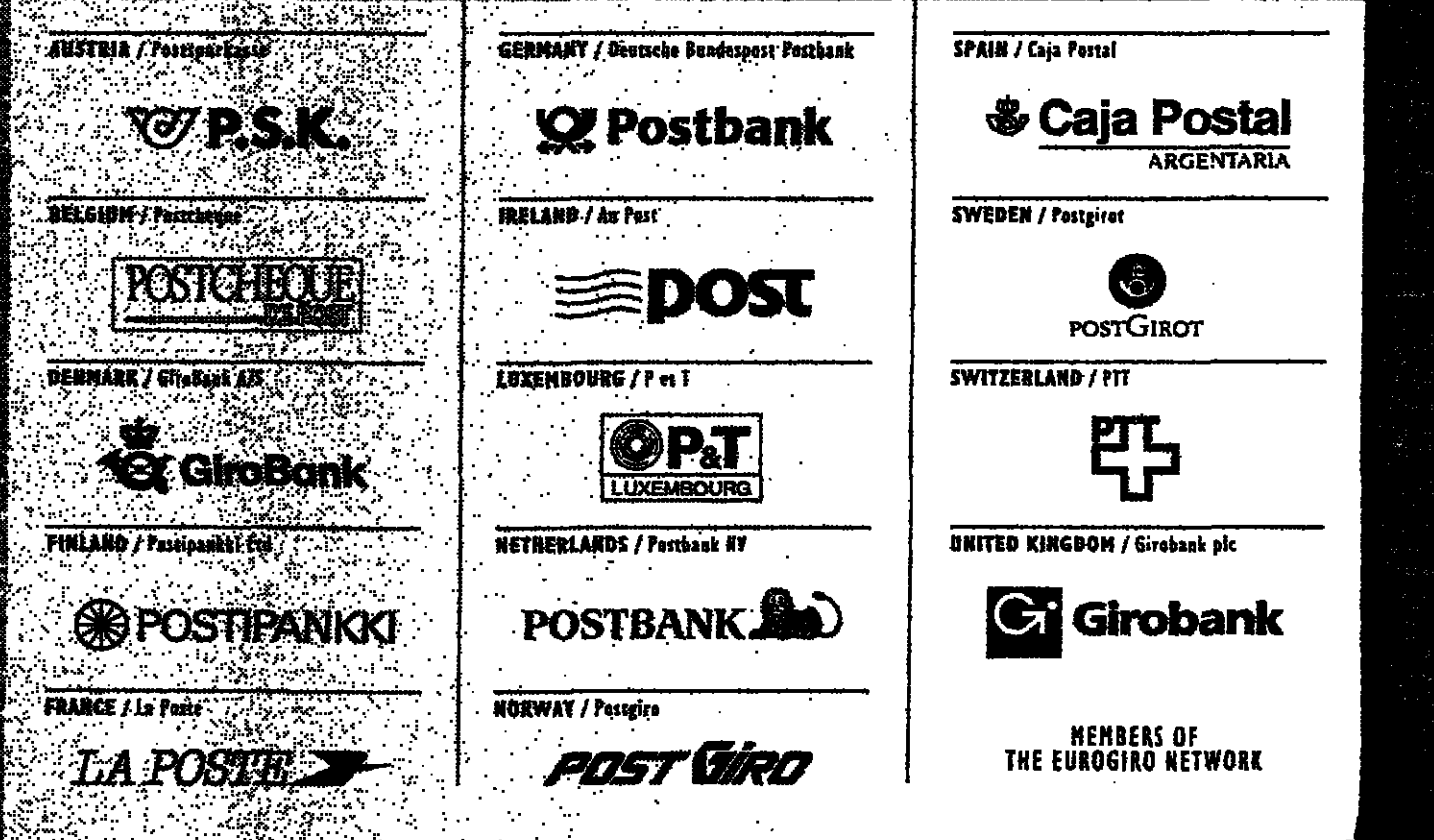
The conference, at which 150 countries will be represented at ministerial level, will absorb \$6.5m in UN funds. It will produce no binding resolutions, but the draft declaration contains an ambitious commitment to reduce starvation and famine.

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NEWS: INTERNATIONAL

Japan slides to the brink of recession

By Charles Leadbeater
in Tokyo

THE Japanese economy is slipping dangerously close to outright recession, according to government figures published yesterday which show the economy contracting at 1.6 per cent a year in the three months to the end of September.

The Economic Planning Agency, giving its figures for real gross national product in the third quarter, said the outcome was down 0.4 per cent from the previous quarter, largely because public spending failed to offset sharp declines in corporate investment and sluggish consumption.

The most worrying aspect of the figures was a significant fall in public investment despite the government's decision in March to bring forward capital spending programmes. Public investment, which is the main engine of domestic demand growth in an otherwise stagnant economy, fell by 2.7 per cent in the third quarter to ¥34,146bn (£180bn).

The worse than expected figures open what will be an intense fortnight in which policymakers have to take crucial decisions about how to stave off recession.

Both the Ministry of Finance and the Bank of Japan maintain publicly that no further easing of policy is yet justified. However, they are likely to come under mounting political pressure to stimulate the economy. A string of business leaders yesterday called on the government to cut taxes next year to prevent a recession.

The supplementary budget needed to enact the ¥10,700bn emergency spending pro-

gramme announced in August is likely to pass through the parliament next week. Details of the 1993 budget are likely to be finalised the week after that for publication over Christmas. The Finance Ministry is predicting a rise in public spending of only about 1 per cent because tax revenues have fallen steeply. As yet it has shown no signs of bowing to political pressure for tax cuts.

Speculation that the worse than expected performance in the third quarter will lead to a further cut in interest rates will be fanned next week when the Bank of Japan is expected to release a gloomy quarterly survey on the state of the economy.

● The Japanese parliament's lower house yesterday took a step towards reducing the large imbalance in favour of sparsely populated rural constituencies in the country's electoral system by approving the reallocation of parliamentary seats.

Votes in the least populated seats are worth more than three times as much as a vote in the most populated seats.

The bill will add an extra seat to nine electoral districts in densely populated urban areas, while one seat will be removed from 10 less populated districts. This will reduce the discrepancy.

The bill also includes 17 measures designed to meet public criticism of corruption in political fundraising in the wake of the Sagawa Kyubin scandal.

The LDP is expected next week to publish details of more comprehensive electoral reform. This may include proposals to replace large multi-member constituencies with smaller single-member ones.

Tensions high in Indian temple conflict

By Stefan Wagstyl
in New Delhi

TENSIONS were running high in the Indian holy town of Ayodhya in the state of Uttar Pradesh last night as tens of thousands of Hindu militants converged with the aim of building a temple on a controversial site next to a mosque. The possibility of a renewed outbreak of communal clashes between Hindus and Muslims over the temple is putting growing pressure on New Delhi to impose direct rule on Uttar Pradesh.

About 12,000 paramilitary police are guarding the site to prevent damage to the mosque and further bloodshed on an issue which has claimed 2,000 lives across India in the last three years.

Mr Arjun Singh, the human resources minister, told parliament yesterday the situation was "very dangerous". Referring to the separation of India and Pakistan in 1947, he said: "We do not want a second partition of the country."

Hindu fundamentalists have long voiced claims to land in Ayodhya and other sacred sites. But their demands have been transformed in the last three years by the political rise of the Hindu Bharatiya Janata party, which has grown into the largest opposition party by promoting Hindu militancy.

BJP leaders have been playing a dangerous game, whipping up national enthusiasm for the temple, whilst trying to keep in check the passions of extremists, some of whom believe India's Muslims should be expelled to Pakistan.

The government is relying on a Supreme Court order issued this week instructing the state government of Uttar Pradesh to prevent construction work.

But Uttar Pradesh is led by the BJP, so Mr P V Narasimha Rao, the prime minister, may be unable to rely on the state carrying out the Supreme Court's bidding. This would force him to impose central rule, a step he is loathe to take.

Bombay stocks scandal claims Citibank chief

Citibank of the US has transferred the chief of its Indian investment banking operations following intense criticism of the bank's role in the Rs35bn (£816m) securities market scandal, writes Shiraz Sidhu in New Delhi.

Mr A S Thiagarajan's departure for New York means the four foreign banks most active in the securities market have now lost their top officials since the scandal erupted in April.

All four - Citibank, US-owned Bank of America, Australia's ANZ Grindlays and Standard Chartered Bank of the UK - were criticised by the Reserve Bank of India, the central bank, and by a parliamentary committee investigating the scandal.

Meanwhile, Mr Bob Edgar, ANZ Grindlays' chief executive for India, is leaving this week after two years in India. The Central Bureau of Investigation yesterday arrested Mr Binoy Jacob, a non-resident businessman, for his alleged involvement in the receipt of illegal commission payments from foreign companies.

Uproar over Pakistan atom bomb report

India yesterday reacted strongly to a US television report that Pakistan built seven nuclear bombs and considered using them during a flare-up in border tensions in 1990, writes Stefan Wagstyl in New Delhi.

Even though Pakistan denied the allegations, the report based on CIA sources, caused uproar in the Indian parliament.

The report could escalate tensions between the two countries which are already running high after two Pakistani were shot dead in October by Indian security forces in the troubled Indian province of Punjab. India has said the two were agents aiding local terrorists - a charge Pakistan has denied.

The report said Pakistan prepared seven atom bombs, each the size of the weapon which destroyed Hiroshima, and considered using them in the event of a conventional Indian attack.

Simon Holberton on the fallout from Beijing's row with colony's governor HK falls to China's market force

THERE is one word, and only one, that has been the force behind the Hong Kong stock market this year: China.

The promise of the riches expected to flow from China's embrace of market economics pushed the Hong Kong index to an all-time high of 6,447.11 three weeks ago.

The fear of China's retribution for what it, and many in Hong Kong, see as Governor Chris Patten's impudence in promoting democracy, is what brought the index down to yesterday's close of 4,978.12 - a fall of 8 per cent on the day and nearly 23 per cent down from the peak on November 12.

For a brief period last month, when the market kept on rising in the face of daily, tougher rhetoric from China, it was possible to ask the question: had the Hong Kong market been fundamentally re-rated because economics, not politics, had come to matter more?

Attractive as that was to contemplate, the events of the past two weeks have shown that Hong Kong is as "political" a market, subject to the tenor of relations between Britain and China, as ever it was.

So the questions being asked in Hong Kong's financial circles now are: Where is the bottom? And what are the implications for Hong Kong's economy?

What has unsettled the market most this week is that no one knows the boundaries of the conflict in which Britain and China are now locked.

History may be a guide. Past crises - such as the October 1987 stock market crash, and the more localised reaction to the June 4 1989 Tiananmen massacre - suggest that the market reaches bottom when its prospective price/earnings ratio as a whole reaches 6 to 7 times future earnings.

According to Mr Archie Hart, head of research at Crosby Securities, a local brokerage, that would, in the worst case scenario, put the Hong Kong index somewhere between 4,000 and 4,500, assuming 20 per cent earnings next year.

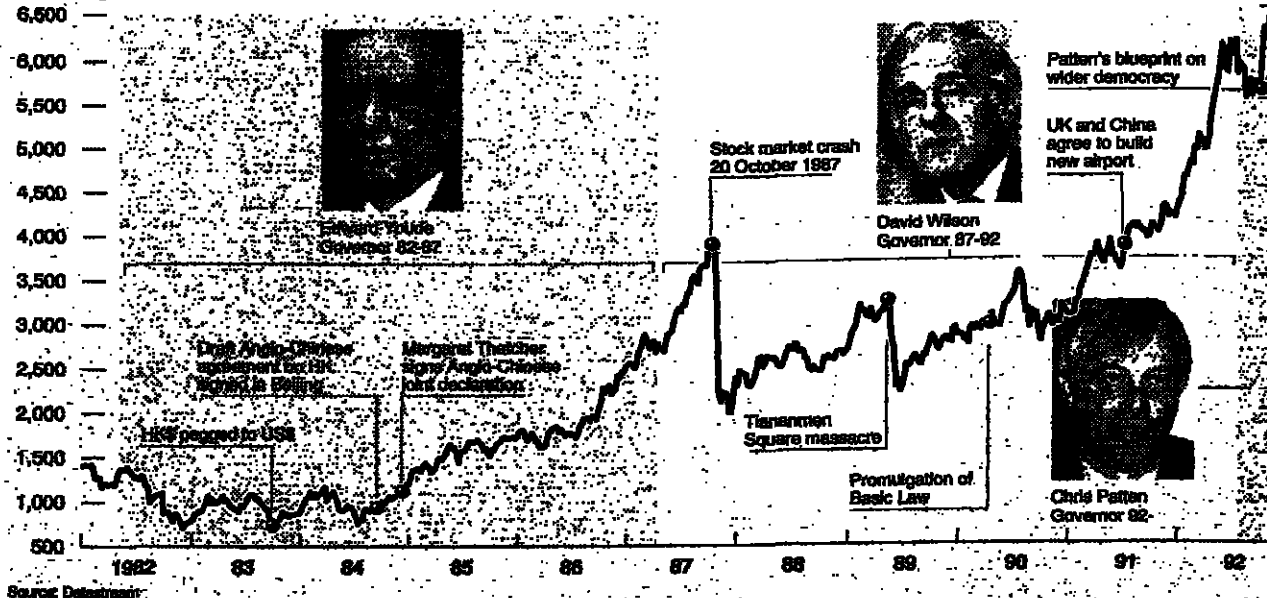
But after yesterday's fall of a further 10 to 15 per cent on yesterday's close, "That's the real base if all hell breaks loose," he said.

Investors who bought Hong Kong equities at the beginning of the year were, by yesterday's close, still more than 15 per cent ahead. If the political atmosphere enveloping the market continues to deteriorate then many of them may decide to take their profits.

Today the market may well have judged that all hell had broken loose. Late yesterday China again raised the issue of

Hong Kong: ten years of turbulent prosperity

Hong Kong Index



Source: Datastream



future adherence to the 1984 Sino-British Joint Declaration - the cornerstone of Hong Kong's security.

In spite of the palpable uncertainty in Hong Kong, not a few analysts were pointing out the artificiality of it all.

'For those who buy now, the rewards in 12 months will be great, but no one wants to catch a falling knife'

Nothing, they said, has changed the fundamentals. Corporate earnings growth this year is expected to be between 20 and 25 per cent; the market is working on 20 per cent for next year. The reason is simple: the Hong Kong economy is expected to grow by 6 per cent in real terms next year, up from 5 per cent this year.

China - that word again - is the main reason for this bullish outlook. It is expected to grow by more than 10 per cent in 1993. Guangdong, the province bordering Hong Kong and the most dynamic economy in China, may grow by 12 per

cent or more. As Mrs Janice Wallace, head of research at Goldman Sachs, pointed out: "The fundamentals are still very strong. Unlike June 1989, corporate earnings are on an upswing and GDP growth is accelerating. Also, this is a political dispute; there are no tanks in the street."

She is not alone in expecting a surge in share prices when the political dispute is resolved. Mr Hart said Crosby is advising long-term funds to stay in the market, although short-term performance-sensitive funds are being encouraged to quit Hong Kong for Malaysia and Thailand.

Mrs Wallace said: "I still believe that 12 months out for those who buy now, the rewards will be great." However, "no one wants to catch a falling knife".

But the real risk to the market and business is a protracted brawl between Britain and China. No one has yet downgraded earnings or economic growth forecasts on the basis of the current crisis, but if it continues for long they will.

The market is already pointing to potential problems in

the industrials and retail sectors. Both have fallen faster relative to the overall decline in prices this week. The reason, analysts say, is that people will be less likely to buy flats, consumer goods and cars if the row is maintained at its current level for much longer.

The property sector in Hong Kong was worst hit in 1989-90 when Britain and China went through a similar trial of strength and the markets took the strain.

The difference now, analysts say, is that the financial strength of the property companies could not be better.

In the early 1980s these companies were highly geared and had to dump property to raise cash. This time around, property companies have virtually no debt and are well placed to weather a fall-off in transactions.

Patten urged to adopt less abrasive style

HONG KONG'S small group of independent legislators, whose votes will decide the outcome of Governor Chris Patten's proposals for more democracy in the colony, are dismayed at the breakdown in relations between Britain and China.

Yesterday's statement by the Chinese Foreign Ministry questioning the future of the 1984 Sino-British Joint Declaration, shocked local politicians.

Mr Simon Ip, who represents the legal profession in a specially allocated seat on the Legislative Council, said China's tactics "were aimed at rattling the Hong Kong people" so they would turn against Mr Patten's proposals.

"I have not heard an argu-

ment why it is that Mr Patten's proposals are not in accord with the Joint Declaration or the Basic Law," he said.

Professor Andrew Wong, an elected but independent legislator who served on Lord Wilson's Executive Council, said the people of Hong Kong felt intimidated by China's actions and feared an economic slump.

"I think the people are now willing to yield to China," he said. "But if China overplays its hand there could be a contrary reaction and the people may rally behind Mr Patten."

Mr Ip concurred. "The longer China turns the screw the more likely it is that the people will bend, like it or not."

Both men urged Britain and China to return to the negotiating table, but said in the

current circumstances the prospects of that happening were bleak. Neither politician, however, thought it would be a good idea for Mr Patten to back down.

"If Mr Patten withdraws he will be delivering the rule of Hong Kong to China," said Prof Wong. "He cannot do that."

Mr Ip said Hong Kong could just not "capitulate". But he

urged the governor to change the way he presented his views. He said Mr Patten should adopt a softer attitude and "give some indication that he is prepared to repair the damage" that had been caused.

He said the "word going round" was that China was not prepared to deal with Mr Patten. "The question is whether they will be prepared to deal with Mr Major," he said.

Prof Wong said the governor should be less abrasive. "They Chinese regard him as being arrogant," he said.

He said a possible way out of the difficulties would be if Legco could agree a compromise package on political reform.

'If we have to suffer, it is preferable to being ruled by the hypocritical British'

THE anxiety on Hong Kong's streets yesterday was visible. Shaking heads in disbelief, people lingered by bank screens watching the falling stock market.

"The market may have seen the biggest one-day fall since the June 1989 Tiananmen killings, but the talk of the town was of politics, perfidious Albion and the strange ways of China."

Hong Kong may be a British colony but it is emphatically a Chinese city. The result of Governor Chris Patten's proposals has been to divide Hong Kong society. That division has produced strong reactions among a people adverse to venting their anger, especially in public.

At what would normally have been a sedate business lunch yesterday, one senior Chinese executive of a large Hong Kong property company lost control, to general astonishment. He said the people of Hong Kong had taken so much flak from Britain and China over the past 14 years "What

does he think he is doing now with so little time to go? China is changing; it has embraced the market economy; it wants its people to get rich; Hong Kong can play a key role in that. All we want is a quiet life."

On the streets of Central, the

'He has more guts than the other governors before him. I hope he can stand firm'

main business, retail and tourist district on Hong Kong island, Hong Kong Chinese vented their dismay and anger, but not all oppose the governor's stand.

An assistant hotel manager declared himself for Mr Patten. "I support Patten's proposals because I think Hong Kong people should have the freedom to decide what they want. That there are more protests now shows people are beginning to know better what sort of society Hong Kong is and

recognise what their needs are. "I think business people might not want changes because they do not want what they are enjoying to be taken away. They are considering their own interests."

Ms Ella Kwok, a nurse, is also a strong supporter of the governor. An investor in the stock market, who has seen more than a fifth of the value of her shares wiped out in three weeks, she believes China is to blame.

"They should not say things like the statements made concerning the container terminal and the airport contract. I think the governor is doing everything for Hong Kong people's long-term interests."

"If one side has to back down, I hope it is not the governor."

"He has more guts than the other governors before him. I hope he can stand firm."

thing never far from the surface. Among some people, China's staunch opposition to the governor is seen as repaying the indignity of colonialism.

"I think China is right," said one secretary. "The British have lived well in Hong Kong for a long time and they

'The British have lived well in Hong Kong for a long time. They need to be put in their place'

need to be put in their place."

One hears echoes of these sentiments on the streets. Ms Chow, an office administrator, is in no doubt about Mr Patten.

"I do not like Patten or what he is doing. I think he is speaking Hong Kong a mess," she said. "He is doing everything for himself. It is naive to believe that Britain and Hong Kong people's interests are the same. They enjoy the notion of being out democracy. If we have to suffer, it is preferable to being

ruled by the hypocritical British."

A civil servant who gave his name as Mr Ho said the governor had gone too far and should back down. "When he deals with China, he should go one step at a time," he said. "Hong Kong is still not used to his way of doing things. I do not think China wants to do this but is forced to."

Throughout the day, however, the overwhelming call was for Britain and China to sit down and talk. This view was given expression by a housewife who said: "The two sides should sit down calmly and talk about what is good for Hong Kong, what is good for its economy. They should look at the agreements again or find a middle way to solve the problem."

She also made the saddest observation on the fallout from the controversy. "I have lost confidence that Hong Kong will change for the better."

Zimbabwe wins \$1.4bn from west

By William Dawkins in Paris

WESTERN nations have agreed to provide \$1.4bn (£920m) of grants, soft loans and commercial loans to Zimbabwe next year, to help the country steer its economic reform programme through the worst drought in living memory.

The package was agreed yesterday at a meeting of 15 country donors organised by the World Bank, to which Mr Bernard Chidzero, finance minister, outlined Zimbabwe's progress in slimming its bloated public sector, dismantling price controls and encouraging the growth of private enterprise.

Western donors had feared that Zimbabwe would be unable to stick to the programme because of the drought and recession, and were understood to have set strict conditions for their help.

The package meets all Zimbabwe's needs for outside finance over the next year. Of the total, 80 per cent is made up of loans and 20 per cent grants. Within this the government plans to borrow just under 15 per cent - \$200m - on normal commercial terms, bridging finance to cover the period between aid allocation and payment.

Mr Chidzero said the drought had forced the economy into unexpected decline this year, but stressed that the reforms were nevertheless going ahead as planned. "The people understand what needs to be done," he said.



Bernard Chidzero: reforms will continue despite drought

Government spending had been curbed from 83 per cent of gross domestic product two years ago to less than 47 per cent now. That includes the 10 to 30 per cent of GDP which the state will have spent this year on importing and distributing food to the drought-hit areas. "So if you remove the drought, government spending comes even lower," said Mr Chidzero.

Spending had been cut in nearly all government departments, except for education, health and defence. Mr Chidzero hoped that recent South African incursions into Zimbabwean airspace would not hold up his plans for cuts in the defence budget.

ANC condemns Buthelezi plan

By Patti Waldmeir
in Johannesburg

THE African National Congress yesterday condemned Chief Mangosuthu Buthelezi's plan for autonomy in Natal province, which is rapidly emerging as a stumbling block to multi-party negotiations on a new constitution.

The ANC said yesterday it would boycott any referendum called to test the plan, under which the KwaZulu black homeland and white-run Natal would form a new state with strong autonomous powers within a federal South Africa. But Chief Buthelezi, leader of the mainly Zulu Inkatha party, brushed aside condemnation from the government and the ANC and said he would proceed with the poll nonetheless.

The ANC said Chief Buthelezi's purpose was to sabotage national negotiations. The chief "has chosen the path of conflict and confrontation which can lead to intensified violence," it said, adding that his plan amounted to "enforced balkanisation on the model of the apartheid past."

Meanwhile, the ANC and the government met for a second day at a secret venue for constitutional talks, while the radical Pan Africanist Congress Youth League threatened to kill whites if PAC leaders were arrested in connection with the murder of four whites in a terrorist attack at a golf club last weekend.

The PAC's armed wing has claimed responsibility for the attack.

the government and retail investors have fallen for the real estate bubble. The government has been selling state-owned real estate at a loss, and the government has been selling state-owned real estate at a loss. The government has been selling state-owned real estate at a loss, and the government has been selling state-owned real estate at a loss. The government has been selling state-owned real estate at a loss, and the government has been selling state-owned real estate at a loss.

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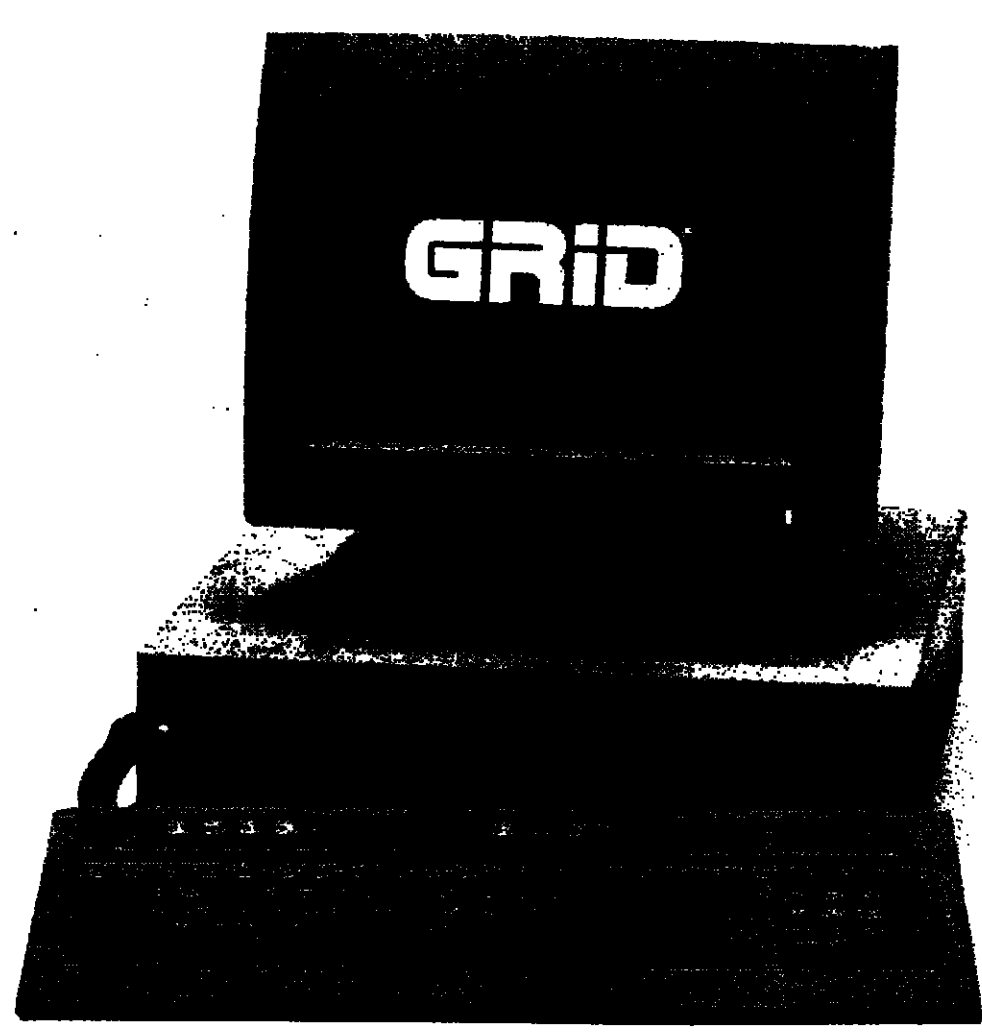
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Backing for principle of universal coverage

US health insurers endorse reform

By George Graham
in Washington

IN A significant reversal yesterday the Health Insurance Association of America, representing 270 commercial insurance companies, endorsed the principle of universal health coverage, coupled with cost controls and a limit to the tax-free status of health care benefits.

The move serves to confirm that the ice is finally breaking in efforts to reform the US health-care system, with some of the most powerful groups in the health industry beginning to accept solutions that go directly against their own interests.

Although health-care reform was a central plank this year in the campaign of President-elect Bill Clinton, many observers believed fundamental reforms would be obstructed by the conflicting claims of health insurers, doctors, businesses, local govern-

ments and those who are left out of the current system.

Most US citizens have health insurance provided by their employer, tax deductible for employers and excluded from taxation for the employee.

A meeting organised by the National Governors Association and involving local government and business representatives this week endorsed limiting this tax-free status.

Critics argue that the tax exemption had helped allow inflation in the medical industry, because neither employer nor employee is fully sensitised to the costs of their health care. At the same time, the estimated \$25bn (£16bn) that could be raised by taxing health care benefits above a certain basic level would help to pay for coverage of those currently left out.

Businesses have in general remained firmly opposed to limiting the employer's deduction, but Mr Thomas Pyle, a director of the American Business Conference and a participant in the meeting, reluctantly concurred.

"I don't think any business group is enthusiastic about capping deductibility and I think that most groups would prefer to see a reduction in the amount that's exempt from taxation rather than capping deductibility. But the bottom line is we end up feeling comfortable with this as a step towards pushing down on costs in health care," he said.

Yesterday's HIAA policy statement also favoured limiting the tax exclusion on health care benefits for employees, and backed greater government involvement in overseeing the prices charged by doctors and hospitals.

These new proposals may not fit exactly with Mr Clinton's plans for reform, many of whose details remain unclear but health-care specialists believe there are now clear signs of a reform consensus beginning to coalesce.

However, in August the opposition newspaper ABC Color published reports that senior army officers, including the army chief of staff, were involved in trafficking in stolen cars.

ABC Color's reports were followed by more corruption stories and the indictment of senior army and police officers. Says Mr Edwin Britzer, ABC Color's political editor: "The military were still a taboo subject then. They had a blank cheque from society that was thought necessary during the transition to a new government."

The transition to democracy will only be complete after Paraguay holds presidential elections in May 1993 and Gen Rodriguez hands over power three months later. The Colorados are holding primary elections to choose a presidential candidate, but bitter infighting among the candidates, plus daily revelations of corruption, now mean that an opposition figure could win a presidential election for the first time in Paraguay's history.

Mr Domingo Laíno, a courageous if eccentric opponent of "Stroessnerism" and candidate for the Authentic Liberal Radical party, stands to gain most from the disarray.

Even Gen Rodriguez is unable to halt a liberalisation process he started, even if he

Paraguay's unimagined renaissance

Even the generals cannot stop the process they started, writes John Barham

never imagined the consequences it would bring.

However, there is no sign of long overdue land reform, a few wealthy and powerful businessmen retain great influence, corruption and smuggling are widespread and the police are still notoriously sluggish. Washington is concerned over Paraguay's role as a corridor for cocaine shipments and money laundering.

Although the transition to democracy is proceeding reasonably well, the transition to a market-based economy is less smooth. True, the government's technocratic economic team has opened and deregulated the economy - and delivered South America's lowest annual inflation rate of 16 per cent.

The problem is that a business class more used to bootlegging contraband to Argentina and Brazil or living off financial speculation and cosy government-supported cartels is not ready to cope with economic reform. In March 1991 Paraguay, together with Argentina, Brazil and Uruguay, formed Mercosur, a nascent common market that is already putting local businesses under pressure.

Mr Jose Abreu, a member of the Union Industrial Paraguaya, which represents manu-

facturers, admits that "the traditional [business] mentality that does not want change is a majority. Paraguay's strong businessmen got rich with the government, not the market."

However, he consoles himself that "traditional people are older, they are dying out. Change will come, it's just a question of speed."

But sandwiched between the supremely efficient agricultural producer Argentina and the stumbling giant Brazil, Paraguay's outlook is, at best, mixed. This became brutally clear in October when Argentina retaliated against Brazilian exports with a 10 per cent tax on all its imports, hitting Paraguay in the crosshairs.

As a mainly agricultural economy with an exploding birth rate, Paraguay desperately needs growth. About 50,000 teenagers enter the labour market every year. Investment equivalent to US\$1bn a year is needed to provide jobs for them. However, the economy is stagnant and investment low.

Paraguayans are realising that their staple exports of cotton, soybeans and "re-exports" of contraband consumer goods to neighbouring countries are no recipe for sustained, balanced development. The trouble is that they have yet to find a new strategy to pay their way in the world.

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Rodriguez: furious



Clinton urged to boost national savings rate

By Michael Prowse
in Washington

THE incoming Clinton administration should focus on long-run economic challenges and make a higher national savings rate a central policy goal, according to a report from the Committee for Economic Development, a business-led research group.

The report urges the US to aim at a national savings rate of about 8 per cent of national income, roughly in line with US performance before the 1980s and with the current performance of other rich industrial countries.

The tone of the report, the first comprehensive economic plan issued by a business group since the presidential

election, indicates a disillusionment among industrialists with "quick fix" policies such as tax cuts.

The committee believes a sharp decline in national savings in the past decade, to about 2.5 per cent of national income, has been instrumental in poor US productivity growth and stagnant living standards for many families.

It says cuts in the federal budget deficit - which represents negative saving by the public sector - should be the main route to higher saving and recommends deficit reduction averaging \$50bn (£33bn) a year for the next five years, with an ultimate goal of a small surplus within a decade.

Measures to cut the deficit should include curbs on health

care spending, stiffer taxation of federal pension benefits and bigger cuts in defence spending. The report also recognises the need for tax increases, but favours levies that reduce personal consumption rather than saving and investment.

It says an investment tax credit could play a useful role in stimulating productivity but argues against the income tax cuts favoured by Mr Clinton in the election campaign. It advocates selective investments in education, infrastructure and science and technology but warns against a rapid expansion of existing programmes.

Restoring Prosperity: Budget Choice for Economic Growth: Committee for Economic Development 2000 L Street N W Washington DC 20036.

Private sector to help fight US TB epidemic

By Karen Zagor in New York

AS a tuberculosis epidemic spreads in the US, the New York Public Health Research Institute yesterday announced an unusual collaboration between the public and private sectors to research the most deadly strain of the disease, multiple drug resistant TB.

New cases of TB, which seemed close to eradication in the US in the mid-1970s, increased more than 40 per cent between 1985 and 1990, and the rate of growth has shown no signs of slowing. Factors contributing to TB's

spread include drug addiction, homelessness, overcrowded prisons with antiquated ventilation systems and the susceptibility of HIV-positive patients to the disease.

The new centre, devoted to TB research, will concentrate on this strain, looking at DNA fingerprinting, DNA patterns and drug resistance. It will also test new drugs and faster diagnostic methods and will provide free testing and other services.

Participating companies include Pfizer, Hoffmann-La Roche and Lederle Laboratories.

Brazil steel sale in balance

By Christina Lamb
in Rio de Janeiro

BRAZIL'S President Itamar Franco began two days of meetings yesterday to decide whether the country's largest privatisation should go ahead later this month.

The National Steel Company (CSN) is scheduled to be sold off on December 22 at a minimum price of \$1.6bn (£1.05bn) but Mr Franco has expressed considerable doubts about the sale, and about the whole privatisation process.

Brazil's stock markets fell yesterday on fears of a delay. Last month Mr Franco cancelled the sale of Ultrafertil, a

fertiliser company, just 90 minutes before the auction was due to start, causing Mr Marcos Viana, vice-president of the National Development Bank which oversees the programme, to resign in anger.

The CSN auction could attract sizeable foreign investment. Among those interested are the Brazilian construction company Andrade Gutierrez and a German consortium involving Thyssen, Germany's biggest steelmaker, and Ferrostat, a trading company.

The sale is sensitive because of CSN's emotional significance as a symbol of Brazil's economic development.

Mr Franco's talks will include Mr Paulino Cicero, mines and energy minister and, like the president, a past opponent of privatisation, Mr Roberto Procopio, CSN's president who strongly favours the sale, and Mr Jose de Castro, Mr Franco's legal adviser who recommended the Ultrafertil cancellation.

Analysts believe the CSN sale may be put off until March when Mr Franco is expected to introduce rules stipulating that 30 per cent of any bids must be in cash. Currently most purchases have been made using "rotten currencies" - domestic debt swapped at par - with less than 1 per cent of the \$3bn raised so far being in cash.

CONTRACTS & TENDERS

REPUBLIC OF LEBANON REHABILITATION OF THE POWER SECTOR PRE QUALIFICATION OF CONTRACTORS

For the rehabilitation of power, transmission and distribution facilities throughout Lebanon, the Republic of Lebanon has received a joint US\$ 110 million loan from the Arab Fund for Economic and Social Development and the Kuwait Fund for Arab Economic Development, US\$ 30 million equivalent from the Italian Government, and has applied for a US\$ 175 million from the International Bank for Reconstruction and Development (IBRD), part of which will be applied towards the costs of rehabilitation. Negotiations are underway with other donors to secure additional funding.

It is intended that the proceeds of the above loans will be applied to payments to prequalified contractors under contracts to be awarded for the following work packages:

- overhaul, repair and retrofitting of boilers, steam turbines and auxiliaries of the power stations of Zouk (3 x 140 MW and 1 x 170 MW), and Jieh (2 x 60 MW and 3 x 69 MW);
- overhaul repair and retrofitting of six gas turbines at Zouk (4 x 30 MW and 2 x 20 MW);
- reconstruction, repair and retrofitting of 66kv/33kv/11kv substations (about 30);
- reconstruction of 150 kV and 66 kV overhead lines and underground cables;
- reconstruction, repair and retrofitting of distribution networks (33 kV, 11kV and 0.4 kV lines substations) and consumer connections.

The works will be executed under the supervision of consultants appointed by Electricite du Liban/CDR under donors guidelines.

Due to the critical and urgent nature of the work packages the times allowed for bid preparation and, later, implementation at the works will be kept to a minimum. Therefore only contractors who are capable of working under tight schedules and controls need apply for prequalification and such ability will be expected to be demonstrated during the prequalification exercise. Reasons for not prequalifying any firm or consortia need not be given and no costs associated in prequalifying will be reimbursed. Invitations for bidding will only be sent to firms or consortia which are prequalified.

The Council for Development and Reconstruction (CDR) invites contracting forum or consortia interested in bidding for all of the packages, to obtain prequalification documents from the CDR, Beirut - Lebanon that will be available by December 3, 1992. Deadlines for submission of prequalification bids with all supporting material at the CDR offices in Beirut, Lebanon is 12:00 noon on December 21 1992.

LEGAL NOTICES

Advertisement of creditors' meeting under Section 482(1) Insolvency Act 1986
Company No 44747

Registered in England and Wales
J D and A J Large Limited (In Liquidation)

Notice is hereby given pursuant to Section 482(1) Insolvency Act 1986, that a meeting of the creditors of the above-named company will be held at the offices of Clerk Gully, Orchard House, PO Box 262, 10 Albion Place, Maidstone, Kent ME14 3DZ, on Wednesday 16 December 1992 at 10.30 am for the purpose of having laid before it a copy of the report prepared by the Administrative Receiver under Section 48 of the said Act. The meeting may, if it thinks fit, establish a committee to enquire into the conduct of the receiver and to advise the creditors as to the best interests of the company.

Credees are only entitled to vote if:

(a) They have delivered to us at the address above, no later than noon on 17 December 1992, a copy of the claim they claim to be due to them from the company and the claim has been duly admitted under the provisions of Rule 3.11 Insolvency Rules 1986; and

(b) There has been lodged with us any proof which the creditor intends to be used on his or her behalf.

Proxies for the original proxy signed by or on behalf of the creditor must be lodged at the address mentioned, photocopies (including faxed copies) are not acceptable.

Signed N J Wright
Joint Administrative Receiver
Dated 27 November 1992

No. 0011309 of 1992
In the High Court of Justice
Chancery Division

In the Matter of
Carton Trolleys Limited

NOTICE IS HEREBY GIVEN that a Petition was on the 16th November 1992 presented to His Majesty's High Court of Justice for the confirmation of the order of the court made on the 16th November 1992 in the above matter. The petition is in the words of the petitioners' statement of claim, which is filed with the court, that the company is unable to pay its debts and that the petitioners are entitled to the order of the court.

ANY Creditor or Shareholder of the said Company desiring to oppose the making of an order for the confirmation of the said order of the court should appear at the time of hearing in person or by Counsel for that purpose.

A copy of the said Petition will be furnished to any such person applying for the same by the undersigned Solicitors on payment of the Regulated Charge for the same.

CLIFFORD CHANCE
200 Abchurch Lane, London EC4A 3DF
Ref: EOC/27/92/007/PM/ST
Solicitors to the Company

In the High Court of Justice
Chancery Division

No. 0010610 of 1992
In the Matter of
TIME WARNER UK LIMITED

AND IN THE MATTER OF
THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that the Order of the High Court of Justice (Chancery Division) dated 18th November 1992 confirming the order of the court made on the 18th November 1992 in the above matter, is in the words of the order, that the company is unable to pay its debts and that the petitioners are entitled to the order of the court.

ANY Creditor or Shareholder of the said Company desiring to oppose the making of an order for the confirmation of the said order of the court should appear at the time of hearing in person or by Counsel for that purpose.

A copy of the said Order will be furnished to any such person applying for the same by the undersigned Solicitors on payment of the Regulated Charge for the same.

CLIFFORD CHANCE
200 Abchurch Lane, London EC4A 3DF
Ref: EOC/27/92/007/PM/ST
Solicitors to the Company

In the High Court of Justice
Chancery Division

No. 0010610 of 1992
In the Matter of
TIME WARNER UK LIMITED

AND IN THE MATTER OF
THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that the Order of the High Court of Justice (Chancery Division) dated 18th November 1992 confirming the order of the court made on the 18th November 1992 in the above matter, is in the words of the order, that the company is unable to pay its debts and that the petitioners are entitled to the order of the court.

ANY Creditor or Shareholder of the said Company desiring to oppose the making of an order for the confirmation of the said order of the court should appear at the time of hearing in person or by Counsel for that purpose.

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200 Abchurch Lane, London EC4A 3DF
Ref: EOC/27/92/007/PM/ST
Solicitors to the Company

Advertisement of creditors' meeting under Section 482(1) Insolvency Act 1986
Company No 1354949

Registered in England and Wales
Ash Standfield Company Limited

Notice is hereby given pursuant to Section 482(1) Insolvency Act 1986, that a meeting of the creditors of the above-named company will be held at the offices of Clerk Gully, Orchard House, PO Box 262, 10 Albion Place, Maidstone, Kent ME14 3DZ, on Wednesday 16 December 1992 at 10.30 am for the purpose of having laid before it a copy of the report prepared by the Administrative Receiver under Section 48 of the said Act. The meeting may, if it thinks fit, establish a committee to enquire into the conduct of the receiver and to advise the creditors as to the best interests of the company.

Credees are only entitled to vote if:

(a) They have delivered to us at the address above, no later than noon on 17 December 1992, a copy of the claim they claim to be due to them from the company and the claim has been duly admitted under the provisions of Rule 3.11 Insolvency Rules 1986; and

(b) There has been lodged with us any proof which the creditor intends to be used on his or her behalf.

Proxies for the original proxy signed by or on behalf of the creditor must be lodged at the address mentioned, photocopies (including faxed copies) are not acceptable.

Signed N J Wright
Joint Administrative Receiver
Dated 27 November 1992

No. 0011309 of 1992
In the High Court of Justice
Chancery Division

In the Matter of
JWP International Services Limited

NOTICE IS HEREBY GIVEN that a Petition was on the 16th November 1992 presented to His Majesty's High Court of Justice for the confirmation of the order of the court made on the 16th November 1992 in the above matter. The petition is in the words of the petitioners' statement of claim, which is filed with the court, that the company is unable to pay its debts and that the petitioners are entitled to the order of the court.

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For more information, contact: Individual Child Sponsorship Scheme, c/o Box A565, Financial Times, One Southwark Bridge, London SE1 9HL.

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NEWS: UK

Labour attacks Major over 17,700 job losses

By Ivor Owen, Roland Rudd and David White

THE OPPOSITION Labour Party yesterday launched a strong attack on the government's failure to stem the rise in unemployment as a further round of 17,700 job losses were announced in the UK economy.

Mr John Smith, the Labour leader, described 16,200 job losses announced by the Post Office as "staggering." He said unemployment was a "cancer eating at the fabric of British society," and added that Labour would stage a Commons debate on the issue next Tuesday.

Other job cuts announced yesterday were 1,300 at Royal Ordnance, the armaments subsidiary of British Aerospace - the largest reduction since the company was privatised in 1987 - and 200 at Lloyd's of London, the insurance market.

In addition, Ford, the US car maker, is expected to announce redundancies of about 10 per cent of the 97,400

strong European automotive workforce.

Mr John Major, the prime minister, welcomed the fact that the Post Office planned to spread its job cuts over five years and to seek to implement them on a voluntary basis.

He insisted that long term sustainable jobs could only be created by the policies already put in place by the government to secure long term and sustainable economic growth.

To cheers, Mr Smith called on the prime minister to deal

with the reality of the situation - 52 unemployed people to every job vacancy in the west Midlands and 72 in London.

Mr Major retorted that if Mr Smith was really concerned he should drop Labour's commitment to a payroll tax, the social chapter of the Maastricht, and the minimum wage.

The Royal Ordnance cuts, reflecting the general downturn in the defence business, are to be made across 13 sites in England, Scotland and Wales and include manage-

ment staff. Royal Ordnance said it had to reduce its cost base to compete both in the UK and overseas.

The job cuts at Lloyd's are part of plans to reduce the organisation's budget by 18.4 per cent to £117.9m in 1993 compared with £144.5m in 1992. Staffing will fall from 2,300 to 1,990 over the next 12 months.

The move to slim down the Post Office comes only weeks before the government is expected to announce its conclusion of the review of the

Post Office's structure which could lead to privatisation.

Mr Bill Cockburn, the Post Office's recently appointed chief executive, denied the planned job losses had anything to do with the government's future plans for the corporation.

The Post Office said it intended to reduce its 200,000 strong workforce by voluntary measures. A spokesman said 7,000 jobs losses last year were achieved with the agreement of the workforce.

House of Lords ruling may affect Asil Nadir case

By John Mason, Law Courts Correspondent

A LEGAL loophole preventing theft charges being brought in some cases of alleged fraud was closed by the House of Lords yesterday.

By a majority of four to one, five law lords allowed an appeal by the Director of Public Prosecutions against a Court of Appeal decision to quash the conviction for theft of Mr Edwin Gomez, a shop manager.

The law lords ruling is seen as having widespread implications for the bringing of theft charges in cases of alleged white-collar crime.

The decision may have implications for the prosecution brought by the Serious Fraud Office against Mr Asil Nadir, the former chairman of Polly Peck International.

Last June a High Court judge dismissed 46 charges of theft involving some £119.5m against Mr Nadir after his counsel had argued there was

no evidence of appropriation of funds in connection with transfers by Mr Nadir from PPTs bank to the account of a wholly owned subsidiary, Unipac, or the Midland International account of the Industrial Bank of Kibris, a bank in Northern Cyprus owned by Mr Nadir.

The SFO would make no comment yesterday about Mr Nadir's case in the light of the Lords' decision but is understood to be considering the detail of the judgment.

Following yesterday's ruling, theft charges could now be more easily brought against dishonest company directors who persuade fellow directors to agree to the transfer of assets not knowing the improper purpose of the exercise.

Mr Gomez was originally convicted of the theft of electrical goods after persuading his manager to accept cheques as payment from a Mr Jit Bally which he, Mr Gomez, knew to be stolen.

Bombs explode in Manchester city centre injuring 64

By Ian Hamilton Fazey, Northern Correspondent

TWO BOMBS exploded in Manchester yesterday, injuring 64 people and paralysing the city centre all day.

The area was closed to traffic and offices were evacuated while police searched for two more devices and blew up 10 suspect packages with controlled explosions. No more bombs were found.

All the suspect packages turned out to be items abandoned by people during the evacuation.

Damage to buildings was light but extensive, mainly broken windows. The injured were all out by flying glass.

The first bomb went off outside government tax offices in Paragon Gardens off Deansgate at 8.40am as people were arriving for work.

Seven minutes later a man with an Irish accent telephoned a coded warning to the Samaritans, saying four bombs had been planted. A similar warning was given to the BBC soon afterwards.

The second bomb exploded in Cateaton Street near Manchester Cathedral at 10.07am as police were clearing the adjacent Cathedral Street, where the telephone caller had said the bomb was hidden.

Evacuees were caught in the second blast as they hurried to safety under police direction.

They included Marks and Spencer food hall. One witness said they were felled by shards of glass as they carried trays of sandwiches out of their building.

Commander David Tucker, national police anti-terrorism co-ordinator, said he had no doubt from the methods used the IRA was responsible.

The bombs were each of about 2lbs of high explosive, hidden in shrubbery. It was too early to say if they were of Semtex, but they were different from the fertiliser-based, home-made explosives that have been used in recent London incidents.

Mr Jim Paterson, assistant chief constable of Greater Manchester Police, said: "I think it is absolutely deplorable to place bombs and then give warnings that do not allow us to respond properly. They can only have been targeted at ordinary people on their way to work."

"When we got a warning it was for four specific streets. The second bomb went off in a street we had not been warned about." One street named did not even exist, forcing a general search.

Mr Tucker said the bombers' tactics were becoming recognisable. Confusing messages and not enough time were an attempt to shift the blame on to police as they struggled to clear suspected areas.



Tony Nelson, the minister responsible for City regulation, giving his first interview since reforms introduced by the government

City faces 'power of fear' regime

By Ralph Atkins and Richard Waters

TOUGHER control of City of London institutions by regulators able to exploit "the power of fear" is needed to overcome shortcomings in financial services laws, Mr Anthony Nelson, economic secretary to the Treasury, said yesterday.

Bigger budgets, a higher calibre of people, and more intrusive investigations should be used by regulators to correct weaknesses in the six-year-old Financial Services Act, Mr Nelson said in an interview with the Financial Times.

He said that the Securities and Investments Board, the main investment watchdog, already has the powers to take

a more aggressive line, but has failed to use them. "I am a believer in the power of fear and believe that SIB should be bolstered in that regard... I want it to be more intrusive, incisive, where necessary more penal," he said.

However, although Mr Nelson was candid in admitting that the "self regulatory" system had faults, he ruled out bringing forward fresh legislation. "I would prefer to see reform within the existing system, rather than starting all over again," he said.

Mr Nelson's first interview since becoming the minister responsible for regulation came amid growing criticism by City practitioners of the current system. He acknowl-

edged that a succession of failures had "understandably given rise to anxiety among investors and depositors."

But his refusal to order a fundamental rethink may disappoint some critics who his concern over self-regulation, would lead to widespread change in the City.

Mr Nelson moved to soothe City concern over legislation on insider dealing being considered by parliament. Although more broadly based than existing laws, Mr Nelson said: "I'm not about to embark on some kind of witch hunt for insider dealers."

He also rejected calls for a public inquiry into costs imposed by banks. He said the government would continue to

"draw very directly to the attention of major banks" the criticisms, but added: "We have to remind people that at the end of the day they must take a close interest in the management of their own savings."

Mr Nelson said he hoped to give further details of possible reforms after a Treasury-commissioned review by Mr Andrew Large, chairman of the Securities and Investments Board, is completed early next year. That report is likely to be published, he said.

Mr Nelson ruled out using public money to pay for greater regulation, but said financial institutions would pay any extra cost that resulted from his review.

Odgers appointed head of monopolies body

By Robert Rice

MR GRAEME ODGERS, chief executive of Alfred McAlpine, is to be the next chairman of the UK Monopolies and Mergers Commission. He will take over in April from Sir Sydney Lipworth who has been chairman of the MMC since the beginning of 1988.

Although Sir Sydney came to the commission after a successful business career, Mr Odgers, 58, is the first non-lawyer to head the MMC.

His appointment was seen yesterday as a mark of the determination of Mr Michael Heseltine, the trade and industry secretary, to bring a stronger industrial perspective to bear on UK competition issues.

"The Secretary of State was looking for someone with a strong industrial and commer-

cial background with a perspective closer to his views on competition," Mr Odgers conceded yesterday.

The search for a suitably experienced industrialist prepared to take a substantial pay cut to head the commission took considerably longer than anticipated by the department of trade and industry.

This delayed Sir Sydney's departure by a further four months after he had already served an extra year.

As well as taking a cut in salary from £209,000 to £87,620 Mr Odgers will have to give up his directorships of Dalgety and the National & Provincial building society.

His appointment is for a four year term. He will take up the full-time appointment on April 19 but will become a part-time member of the Commission on January 4.

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Specific questions may be directed to Dr. P. Buomberger, Chief Economist, at (01) 234 63 42. Interested candidates should send a detailed resume to Dr. C. Hiller, Personnel Department, Bahnhofstrasse 45, 8021 Zürich.



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THAILAND

Friday December 4 1992

Foreign relations: A low profile is preferred Page 4

The economy: Task ahead will not be easy Page 2

Thailand needs a government which can channel the country's dynamic but unguided economic growth in the right directions – and impose the rule of law on a society where power is often measured in money and guns. Victor Mallet investigates

Painful step towards democracy

IT did not take long for Thailand to return to normal after four days in May that shook the nation. The economy is booming and parliamentary politics have been restored to their perennial state of instability.

At least 170 people are still reported to be missing following the protests and suspicious deaths that troops took away several bodies and buried them secretly. The exact death toll is unknown.

"Many people still feel that justice was not done," says Mr Savit Bhotiwitlok, a cabinet minister and a Democrat Party MP. "It leaves a bad taste."

Between May 17 and 20, Thai troops shot dead about 50 pro-democracy demonstrators on the streets of Bangkok in the most serious outbreak of political violence since the 1970s.

The protests were directed against Gen Suchinda Kraprayoon, the army commander who masterminded a coup in February 1991 and had himself installed as prime minister by a coalition of pro-military parties following a general election in March this year.

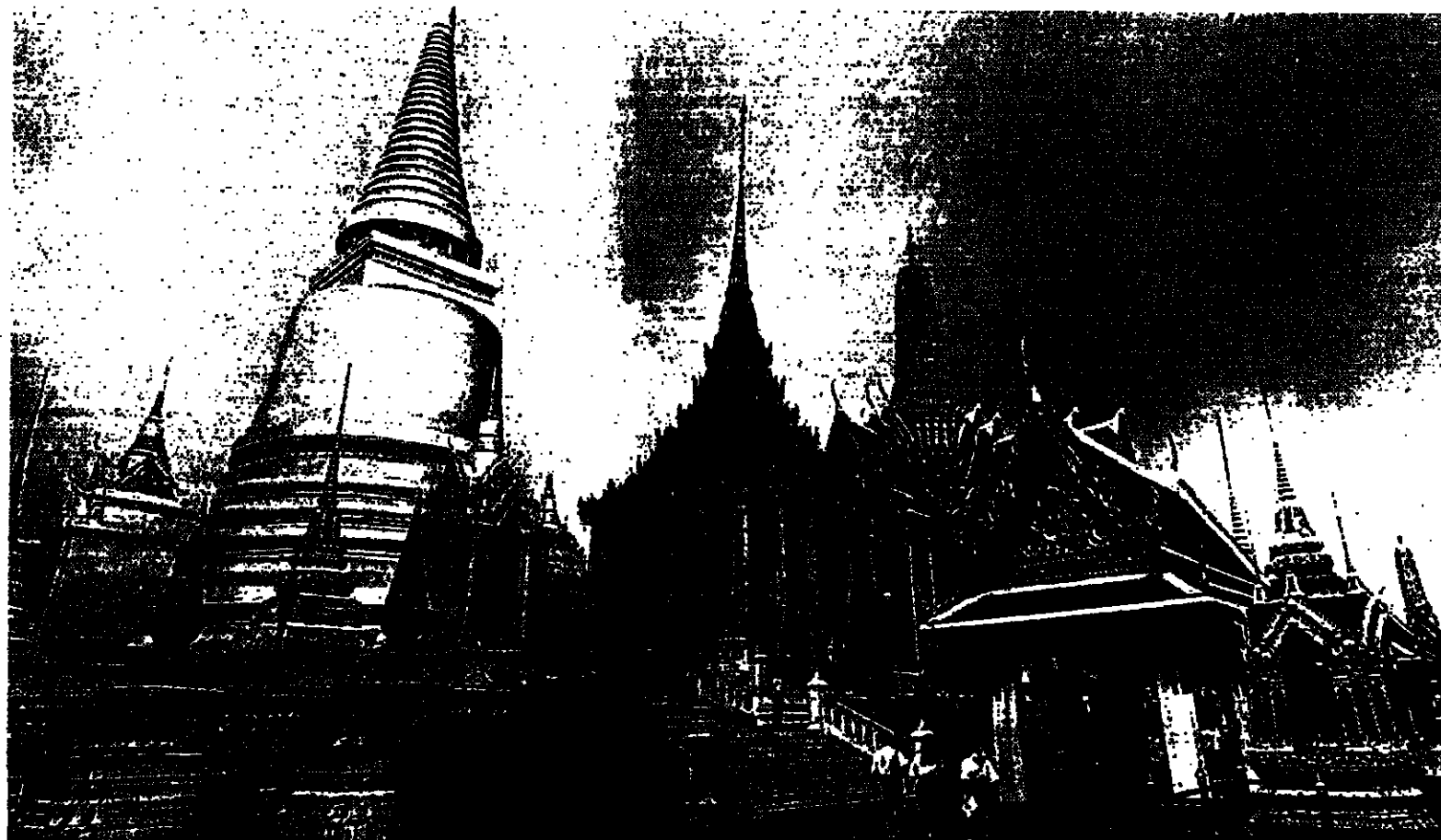
Gen Suchinda was forced to resign after the bloodshed – but not before he had issued an amnesty decree which pardoned himself and his military colleagues.

The legal controversy over the pardon was ended last month when the Constitutional Tribunal ruled that the amnesty could not be overturned. But many of the middle-class Bangkok residents at the centre of the May demonstrations are incensed that Gen Suchinda remains a free man.

A new election was held in September and the Democrats emerged as the largest party in parliament at the head of a group of broadly liberal coalition partners opposed to military intervention in politics.

Mr Chuan Leekpai, the Democrat leader, became the first elected Thai prime minister for 16 years not to have a military background. Mr Anand Panyarachun, a much-praised businessman and economic reformer who served two terms as interim premier following the 1991 coup – first appointed by the military and then, later, by the King – was an unelected appointee.

But Mr Chuan and his allies – dubbed the "angel parties" by the liberal press to distinguish them from the pro-military "devil" – won the election by the narrowest of margins. They were supported



Bangkok: The Temple of the Emerald Buddha and the Royal Chapel. Tourism, like industrial exports, suffered only a temporary decline as a result of the May crisis. Picture: Olyn Gamm

by the urban elite, but most poor voters in the countryside – who knew little and cared less about Bangkok politics – continued to sell their votes to corrupt politicians.

In the light of the election results, the events of May can be seen not so much as a dramatic turning point in Thai history as another painful step on the long road towards a properly functioning parliamentary democracy.

The armed forces have had their influence in politics and business reduced rather than eliminated.

One of the Anand cabinet's last acts before the September election was to remove air force officers from the board of Thai Airways International and replace them with civilian managers who have already started to revitalise the airline

and root out corruption. The same medicine was applied to other military fiefdoms in domestic and international telecommunications.

And one of the first acts of Mr Chuan's administration was to seek to revoke laws which had allowed the military to break up civilian demonstrations without seeking approval from the cabinet.

But few political analysts are bold enough to suggest the armed forces are a spent force in politics or to predict that the Chuan government will last its full four-year term. Already there are signs of strain in the five-party coalition.

Yet now more than ever Thailand needs a government which can channel the country's dynamic but unguided economic growth in the right directions – and impose the

rule of law on a society where power is usually measured in money and guns.

The economy, after a brief disruption during the May violence, is expected to grow at 7.8 per cent this year and continue expanding at the same rate into the second half of the 1990s. But successive governments have failed to plan transport and communications networks – Bangkok is notoriously congested and short of telephones – or invest in the new schools needed to create a skilled workforce for the long-term industrialisation of Thailand.

Tourism, like industrial exports, suffered only a temporary decline as a result of the May crisis, and arrivals in 1992 are now expected to exceed last year's 5.1m.

Thailand officials, however, are worried that the environmental damage caused by uncontrolled development of industry and of the tourist resorts themselves is beginning to deter potential holidaymakers. The British consumer magazine *Which?* this year named Bangkok and the beach resort of Pattaya, with its sewage-tainted water, massage parlours and clinics for sexually-transmitted diseases, as the two least desirable destinations in the world.

Although it is true that other south-east Asian economies are experiencing similar growing pains, the problems in Thailand are particularly severe.

As this year's two elections have shown, Thailand embraces two nations – the urban rich, who bemoan the loudness of their politicians and the poor state of govern-

ment services but are unwilling to pay much in the way of taxes to remedy the situation, and the rural poor who often migrate to the cities to find work as labourers, domestic servants or prostitutes.

In attempting to introduce laws compatible with the growing sophistication of urban Thailand – such as those requiring compulsory third-party vehicle insurance and the wearing of motor-cycle helmets – the government found little support from MPs whose constituents rely mainly on tractors, bicycles and ox carts.

Likewise, the wild movements of share prices on the Stock Exchange of Thailand, and the charges of price manipulation recently filed against a dozen speculators – one of whom had the equivalent of nearly \$2m in cash lying

around his office – by the newly-created Securities and Exchange Commission must have seemed of scant relevance to north-eastern rice farmers.

Average non-agricultural incomes are 13 times as high as those of farmers. Of the total workforce, 83 per cent have primary education only. "This is a land of primary education," says Mr Narongchai Akrasanee, a director of the Thailand Development Research Institute. "The economic boom of the last decade has not substantially changed this picture."

In contrast to Mr Anand, who concentrated on macro-economic policy and the interests of the Bangkok business community, Mr Chuan, a southerner, quickly identified rural and regional development as a priority.

The government has promised that more money will be channelled directly to the provinces. It has pledged to support the continued development of the fast-growing eastern seaboard, and vowed to start a project in the south to build a road, rail and pipeline "land bridge" linking the Andaman Sea and the Gulf of Thailand, a trade route which could divert cargo from the congested Strait of Malacca.

Mr Chuan's ministers are also attempting to sort out the tangle of mutually incompatible mass transit railway projects for Bangkok agreed by previous governments, but they believe the best solution to the capital's traffic problems is to lure investors to the provinces.

"I would prefer to see the funds being used for the new strategic growth of Thailand," says Mr Savit. "You have to provide new alternatives elsewhere which are competitive with Bangkok."

There is little doubt that the government has good intentions. The question is whether the mid-mannered Mr Chuan is strong enough to hold his coalition together without compromising his policies into insignificance, and whether his government will last long enough to carry out the tenuous mandate it inherited from the events of May.

Chip export to Iraq sanctioned

THE computer manufacturer has confirmed the US government department had given approval in 1991 to export computer chips to Iraq.

IBM, which Fujitsu of Japan has a majority stake in, said that the deal involving the development of Air Star Management and command-and-control system, fit through the ordinary business process of the company before the end of 1991.

TUC complaint to Brussels

Britain's regional electricity companies are breaking European Community regulations by buying gas in preference to cheaper UK coal, according to a complaint by the TUC.

The TUC, the umbrella organisation for British unions, wants the European Commission to take legal action to halt the pit closure programme. It says the ECs are manipulating the market to ensure a place for the new gas power stations.

The gas contracts are in breach of article 85 and 86 of the Treaty of Rome which outlaw unfair competition and abuses of dominant market positions, according to the TUC. It says the government has an obligation to halt the pit closures while the investigation takes place.

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THAILAND 3

POLITICS

Adjusting to modern needs

"DOES this mean a split in the coalition?" reporters asked Thai government leaders barely a week after the new cabinet had been announced on September 23.

The context of the question was unimportant. It happened to be about one party's decision to make public its ministers' assets, a move not initiated by the other four parties. But it could have been about the proposal to elect provincial governors, or any other subject being debated at the new government's first policy statement for parliament.

That politics had returned to normal. The public would complain about the bickering and self-promotion among members of parliament. The urban electorate would complain about vote-buying in the countryside. Academics and other intellectuals would complain about superficial policy debates and decision-making. And economists would complain of "rent-seeking" - corruption in various guises - and unwise interventions in commodity markets.

The urban elite and expatriates would regret the departure of Mr Anand Panyarachun, twice the caretaker prime minister. Activists would pester the government to investigate the fate of about 200 people who went missing during the military clampdown on pro-democracy demonstrators in May.

But property and stock market speculators celebrated the prospect of a return to the bullish markets that they had enjoyed before the Gulf War and the February 23, 1991 coup.

Some of this enthusiasm was dampened with the eruption of

THE NEW THAI PARLIAMENT		
	Leader	Seats
Coalition parties:		
Democrat	Chuan Leekpai	79
New Aspiration	Gen Chavalit Yongchayudh	51
Palang Dharma	Maj-Gen Chamlong Srimuang	47
Social Action	Montol Pongpanich	22
Solidarity	Uthai Pimpchalohon	8
TOTAL		207
Opposition parties:		
Chart Thai	Pramarn Adirakarn	77
Chart Pattana	Gen Chatchai Choonhavan	50
Serithon	Arthit Urairat	8
Muanchoon	Pol Capt Chalerm Yubamroong	4
Prachakorn Thai	Samak Sundaravej	3
Rassadorn	Chalapak Sirirak	1
TOTAL		153

a share manipulation scandal in mid-November that sent the stock market index tumbling. Nevertheless, Thailand's messy politics no longer entirely destroy confidence. Its open government and freedom of speech, with all their disadvantages, are often seen as attractions for investors.

Recent history shows that despite its weaknesses, the political system is adjusting to the modern needs of an increasingly sophisticated society.

The September 13 general election was the second this year. The first, on March 22, brought to the premiership Gen Suchinda Kraprayoon, leader of last year's coup. The military's claim at the time of the coup that they had no intention of retaining power for themselves was discredited and mass demonstrations in May led to a bloody military suppression that ultimately forced Gen Suchinda out of power.

Following the intervention of King Bhumibol Adulyadej, the Thai government was once again in the hands of Mr

Anand Panyarachun, the independent-minded businessman and former diplomat who was first appointed after last year's coup.

This time, Mr Anand set about reducing the power of the military through legislation and a reshuffle of the top brass before handing over to an elected government.

For the time being, the military are back in their barracks. At some future date, their return to politics cannot be ruled out, but the trend of the past decades is for this to be increasingly difficult.

The results of the September 13 general election have to be interpreted with care because they indicate mixed and often conflicting tendencies. One outcome was the emergence of the Democrat Party as the largest in Parliament. The Democrats are probably the closest in Thailand to a genuine political party because they rely less on the domination of individuals.

Mr Chuan Leekpai, the Democrat leader and new prime minister, is considered to be honest. His modest lifestyle

contrasts with that of many of his parliamentary colleagues. Mr Chuan eschews the trappings of power of his predecessors, accepting a modest police escort but preferring his personal Toyota to his official Mercedes.

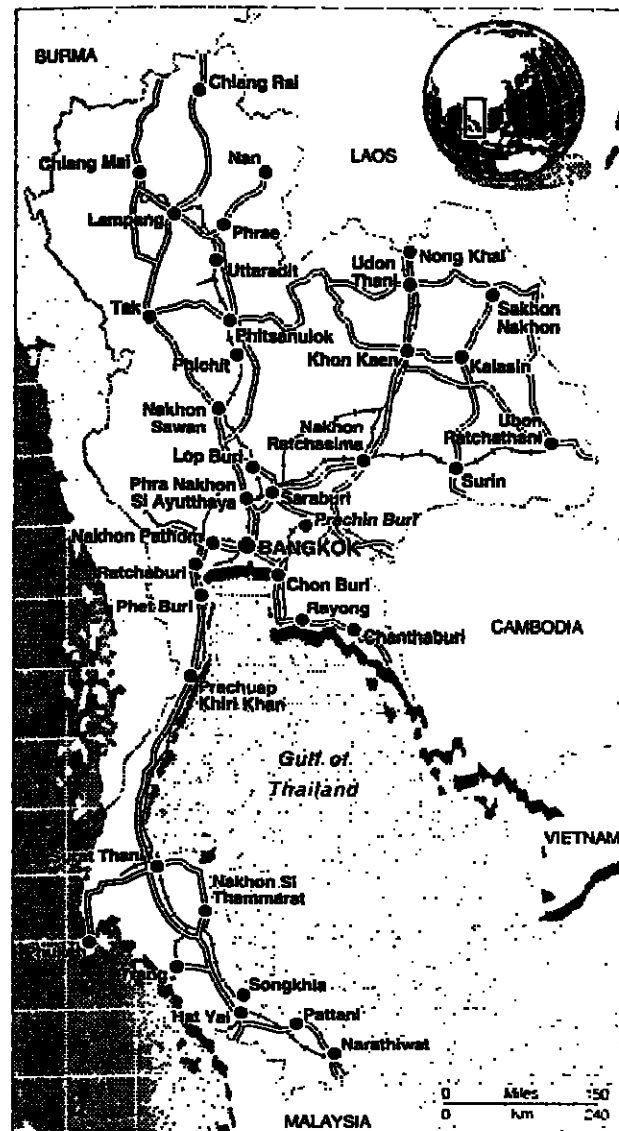
Mr Chuan and his coalition partners have appointed several unelected ministers to oversee the economy, a move partly in response to recognition that parliament lacks individuals with skills in economic management.

Many believe that these ministers will stand in the next election, further strengthening electoral politics.

The welcome that Mr Chuan received also reflects a growing concern with the more corrupt side of parliamentary politics. Corruption was used as an excuse for the military's overthrow of the Chuanthai-Chuanthai government in last year's coup and even though it was not the military's real motive, it was one reason why public criticism of the coup in the capital was initially muted.

The debate over the public declaration of ministers' assets reflects the growing concern with corruption. The law already requires ministers to report their assets to the Counter Corruption Commission. One party, Palang Dharma, which has placed particular emphasis on clean politics, has made its ministers' assets reports public. Coalition partners have described the Palang Dharma move as a publicity gimmick.

Corruption remains a concern partly because the Thai system still relies largely on patronage and influence, with little emphasis on policy



issues. The modern, urban, middle classes that played such a dominant role in the overthrow of the military in May want an open parliamentary system that concentrates on reasoned decision-making. They realise, paradoxically, that their achievement has actually been to swing the balance towards the rural electorate whose criteria for choosing MPs are not approved in the cities. Despite a minor shift by voters that brought to power the parties involved in the pro-democracy demonstrations in May, the September 13 election appears to have seen as much if not more vote-buying than its predecessors.

Rural voters are so alienated from Thailand's centralised state machinery that they often have to rely on the skills of manipulators and influence peddlers if the villages are to gain a share of the country's resources. A candidate's skill and generosity in handing out money at election time can be a measure of his ability to peddle influence, and to use the networks of personal patronage to bring asphalt roads, electricity and water to the villages.

Political patronage comes in many forms, and sometimes it is associated with violence. One Thai academic privately describes the country's rural MPs as "hoodlums in suits". As with so much of Thai politics, however, the colourful summary does not accurately reflect the complex reality.

Others argue that rural voters are acting rationally when they accept money or even vote for candidates supported by the local godfathers. The

only way to reduce the unappealing aspects of electoral politics is reform, to give local government more power, resources and accountability, according to this argument.

It is an argument that is beginning to gain acceptance; many parties promised during the September election campaign to reform local government. Coalition parties are divided, however, on whether to start at the village or district level, or to begin with directly elected provincial governors to replace officials currently appointed almost in colonial fashion by the Interior Ministry in Bangkok.

The Palang Dharma party of Maj-Gen Chamlong Srimuang, which took a more radical anti-military line in the May protests, wants early elections for provincial governors.

Such splits can always destroy a coalition government, sometimes almost without warning. But the costs of an election campaign are now so high that the MPs are likely to avoid a swift dissolution of parliament. They have already seen two elections this year and Mr Chuan's cool temperament and honesty could avert disruptive excesses.

Peter Ungphakorn

KEY FACTS

Area	514,000 km ²
Population	57.6m (1992)
Head of State	King Bhumibol Adulyadej
Head of Government	Chuan Leekpai
Currency	Thai Baht
Average exchange rate	25.52 (1991 average). Latest 25.42

ECONOMY

	1991	1992
Total GDP (\$bn)	91.70	105.9
Real GDP growth (%)	8.2	7.2
Real GDP growth (% of agriculture)	2.2	3.5
GDP per capita (\$)	9.3	7.8
Non-agriculture	1,609	1,845
Services	13.6	n/a
Industry	36.4	n/a
Services	49.8	n/a
Total	100	n/a
Ind. production (% change pa)	8.4	7.1
Consumer prices (% change pa)	5.7	5.0
Unemployment (% of lab force)	4.2	4.7
Reserves minus gold (\$bn)	17.5	20.2sep
Narrow money growth (% pa)	13.8	19.7aug
Broad money growth (% pa)	18.8	15.3aug
Discount rate (% pa, year end)	14.0	12.0aug
Stock Mkt (% change over year)	+16.1%	+19.1%
Budget balance (\$bn)	+104.2	n/a
Govt. balance (% of GDP)	-4.5	n/a
Current account balance (\$bn)	-8.0	-7.5
Exports (\$bn)	28.1	32.0
Imports (\$bn)	36.0	35.5
Trade balance (\$bn)	-4.9	-3.5
Total external debt (\$bn)	27.4	29.1
Debt service ratio	15.1	13.8
Main trading partners (1991)	Exports	Imports
US	21.8	28.8
Singapore	7.8	9.2
Germany	5.4	5.3
Taiwan	1.7	5.1

Notes: 1992 figures are forecasts except for those noted which are (1) September; (2) August; (3) as at November 25. Source: Bank of Thailand, Ministry of Finance, NESDB, Ministry of Commerce, IMF, ADB, Datastream, Economist Intelligence Unit.

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THAILAND 4

FOREIGN RELATIONS

Low profile preferred

THAI leaders are not much given to strutting around the world stage; not for them the role of defender of the Third World played by Dr Mahathir Mohamad of Malaysia, or that of economic guru played by Mr Lee Kuan Yew, Singapore's elder statesman.

Apart from the occasional dabbling in the affairs of their neighbours in Burma and Indonesia, Thai governments usually prefer to concentrate on domestic affairs and keep a low international profile.

The spotlight aimed at Thailand in the past few weeks following the refusal of the Khmer Rouge guerrilla group to comply with the Cambodian peace agreement was therefore particularly unwelcome.

As the United Nations Security Council considered the possibility of imposing economic sanctions against the Khmer Rouge, it immediately became clear that Thailand would have to bear most of the burden if sanctions were actually to be enforced.

The Khmer Rouge is thought

to earn at least \$100m a year by selling gems and tropical timber from its strongholds in northern and western Cambodia to Thai businessmen, who in turn sell oil and other supplies to the guerrillas.

Thai officials squirmed at the prospect of sanctions. They not only pointed out that a trade embargo would be difficult to enforce but made it plain that they hated the whole idea of putting pressure on the Khmer Rouge.

Such an anti-sanctions policy was popular in the border provinces which profit from the trade with the guerrillas.

But Thailand's support for an extremist organisation reckoned to have killed 1m Cambodians between 1975 and 1978 did not look good abroad – or in Bangkok, where the civilian coalition government had come to power in a September election in the aftermath of a mid-die-class, pro-democracy uprising.

To make matters worse Thai politicians were accused of reneging on pre-election prom-

ises to reform Thailand's pragmatic and mercenary regional foreign policy.

Liberal voters had hoped that the five-party coalition would voice a principled support for democracy, human rights and the need to protect the environment which is being wrecked by indiscriminate logging and strip-mining of gems in Cambodia. They had hoped that the new govern-

Khmer Rouge leaders have close relations with Thai army generals

ment would take a firm stance against the military junta in Burma and the Khmer Rouge in Cambodia. In fact, not much has changed.

"Each political party has its own foreign policy platform, but once they join together into a coalition it's necessary to see how to merge the policies," Mr Prasong Soonsiri, the Thai foreign minister, told the Financial Times in an inter-

view. "Many issues which the individual parties were advocating during the campaign may have to be adjusted for the sake of unity."

That did not mean there would be no shift at all, Mr Prasong said. "We notice that the world is attaching greater importance to issues such as human rights, democracy and the environment," he said.

"Thailand has also emerged from a fight for democracy... We also wish to see our neighbours in a position which is accepted by the international community – but we are not in a position to manage their affairs."

Mr Prasong, a former air force squadron leader and national security chief, is all too aware that his ministry's conduct of foreign affairs is limited by the continued influence of the armed forces, especially on the borders with Burma and Cambodia.

Thailand is a signatory of the Cambodian peace accord, but the Khmer Rouge leaders now flouting the agreement



Illegal logging on the Burmese border has intensified. Liberal voters had hoped that the coalition would voice support for the need to protect the environment which is being damaged by indiscriminate logging

have long had close relations with Thai army generals, and the Thai officers on the frontier have profited from commissions on the informal trade with Cambodia.

The Khmer Rouge, furthermore, is regarded by Thailand as a useful counter to the influence of Vietnam, Thailand's old rival, which invaded Cambodia in 1978, overthrew the brutal Khmer Rouge regime

and installed the present Cambodian administration.

Thailand takes an equally ambivalent attitude towards Burma, supporting the ruling State Law and Order Restoration Council – which has been shunned by much of the rest of the world – at the same time as tolerating Burmese ethnic insurgent groups fighting the Rangoon regime from bases on the Thai border. Western diplo-

mats can therefore be forgiven for suspecting that Thailand still prefers to see its neighbours unstable and divided than to risk the prospect of strong, united and prosperous nations on its borders – although it does seem to have made its peace with Laos.

The question is whether such a policy is adequate for the 1990s. It favours army timber smugglers and small-time

frontier traders, but may weaken the prospects of legitimate Thai businesses and investors in the region. Thailand, which advertises itself as a regional hub for Indochina and Burma, appears to be losing out to commercial rivals such as Singapore, Taiwan, Hong Kong and Malaysia in the fast-developing economy of Vietnam.

Too much concern for frontier traders, as Mr Prasong appears to realise, may also distract attention from the vital task of attracting foreign investment to Thailand, fighting trade protectionism and securing access for Thai exports to the country's principal markets in the US, Europe and Japan.

"I came into office as minister of foreign affairs at a time when the world was changing rapidly; in particular the world has seen a move from military confrontation towards economic confrontation," Mr Prasong said. "The government has a duty to try to solve the obstacles arising from the increasingly competitive international scene."

"We see increasing competition in economic matters, in trade, and competition to secure markets and capital."

Victor Mallet

Dr Narongchai Akrasanee is one of Thailand's more well-known economists-businessmen. Educated in Australia and the US, he was the youngest dean of the economics faculty of Thammasat University in Bangkok. He made his name as a specialist in industry and trade.

Dr Narongchai is now head of a finance and securities company called GF. Last year, he was the special envoy of the then-prime minister, Mr Anand Panyarachun, negotiating regional free trade among the six members of the Association of South East Asian Nations. In September, Dr Narongchai was almost appointed a minister in the new government. "Almost" because at the last minute he fell foul of something he, as a free trader, has spent much of his working life arguing against: quotas.

Foreigners frequently complain that Thai politics is impossible to understand. Unpronounceable Thai names do not help matters and it does not help that so many of the "anti-military" political leaders have military rank. But often it is the behaviour of politicians that is difficult to understand, as if some code has to be cracked. One set of

codes deals with quotas, around which Thai politics sometimes appears to revolve.

Dr Narongchai was to have been appointed to the Cabinet by Gen Chavalit Yongchaiyudh, leader of the New Aspiration Party, the second-largest in the coalition. Thai coalition cabinets are formed by quota and under the present constitution, governments are allowed a maximum of 44 ministerial positions. These are shared out in proportion to the size of the coalition parties.

After the election in September,

The selection of MPs to fill portfolios is often based on arithmetic

the New Aspiration Party was given 11 cabinet seats. When word leaked out that Dr Narongchai was among the non-elected appointees that Gen Chavalit was proposing to nominate, the party's MPs threatened a rebellion. One more cabinet seat given to an appointee, no matter how able, would mean one less for an MP. Gen Chavalit had to yield; an elected MP was picked instead.

Peter Ungphakorn examines an aspect of Thai politics

Making a meal of quotas

The quota system does not allow much flexibility. The selection of MPs to fill those portfolios is often based on arithmetic. MPs of the Democrat Party, the largest in the present coalition, say they are virtually guaranteed a cabinet post if they can head a team of candidates that has made a clean sweep of all the seats available in a province or in a multi-seat constituency.

The previous elected government came to power in March. No sooner had the cabinet posts been announced than Mr Banharn Silpa-archa, secretary-general of the Chart Thai Party – at that time ranked second in the coalition – told reporters that his party would periodically reshuffle its ministers so that all senior members could have a turn in the Cabinet.

It did not, apparently, occur to Mr Banharn that the prime minister, Gen Suchinda Kraprayoon, might want to be consulted. Not

even a prime minister who was in power as a result of leading a coup. Reshuffling the Cabinet within the Chart Thai Party quota was an internal affair of the Chart Thai Party.

This adherence to quotas and "fair shares" is supposed to mean objective selections that avoid favouritism. Of course it does nothing of the kind, and it contrasts starkly with the way most Thais conduct their private lives.

No group of friends or associates would dream of having a meal and dividing the bill into "fair shares". Emphasis on generosity dictates either that the most senior or most wealthy pays the bill or members of the group informally take turns to pay.

Quotas continue to play a role once ministers have been appointed. A commerce minister is in charge of allocating export quotas for tapioca and garments. An agriculture minister's responsibil-

ties could include fertiliser procurement and sales quotas. A finance minister can decide which foreign banks will be in the next batch allowed to open Thai branches.

These quotas keep many – but not all – ministers busy. There is nothing they enjoy better than deciding that conditions have changed and therefore the method of allocating quotas has to be changed as well. Naturally, every time the method is changed there are winners and losers. The stakes can be very big.

Quotas mean money: "quotas" according to the jargon. Ministers who control quotas can become indispensable financiers of their parties.

One interesting case of quotas in Thailand involved taxi licensing. For such a prosperous city, Bangkok had, and still has, some of the most decrepit cabs in the world. But because the numbers were restricted and owning one was still

profitable, licence plates were bought and sold for as much as Bt600,000 each; the plates cost more than the taxis themselves.

Earlier this year, the Anand Panyarachun government, an enemy of quotas, liberalised taxis. Only certain minimum requirements have to be met and commuters can now ride in brand new, comfortable taxis with proper meters, often paying cheaper fares than in the old quota-bound wrecks.

Tapioca is another example. The main allocation method for tapioca export quotas, a highly lucrative

The government of Gen Chatchai Choonhavan was dubbed 'the buffet cabinet'

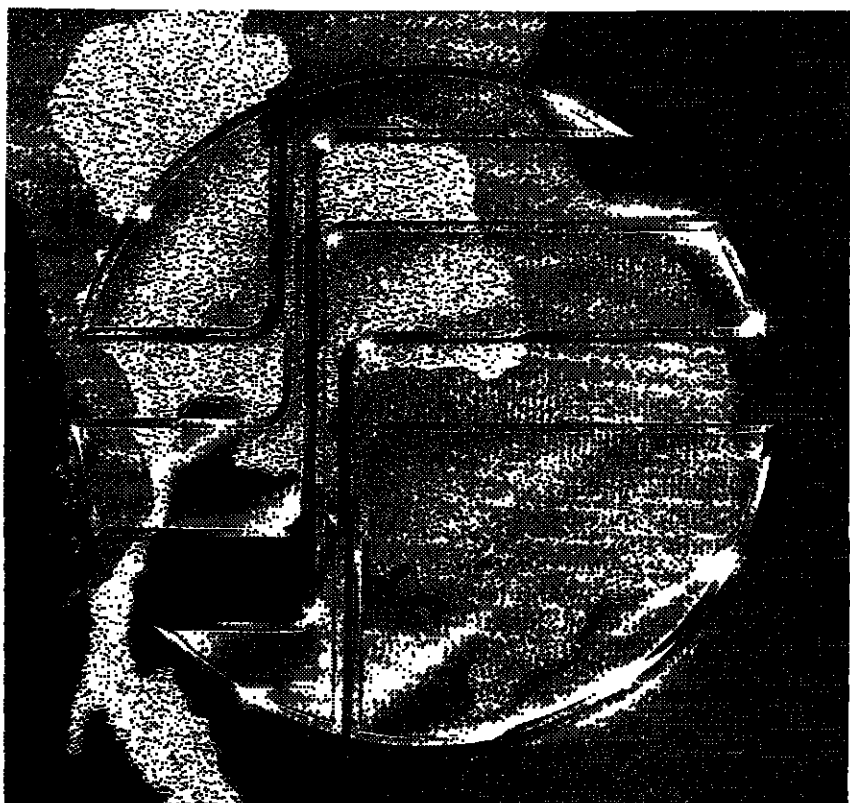
business because of the quirks of the EC's Common Agricultural Policy, is based on the amount of tapioca an exporter has stocked up. This is supposed to encourage exporters to buy more tapioca and raise farm-gate prices. It has also led to a great deal of cheating. One inspection a few years ago was supposed to have measured eight million tonnes of tapioca in exporters' warehouses; rather a lot of school

puddings. Officials were transferred, questions were asked in parliament, and former ministers are still fighting an official committee's ruling that they were "unusually rich", a ruling that led to the seizure of their assets. Unwittingly therefore, French farmers who insist that the EC limit tapioca imports have played their part in Thai political power struggles.

Some ministries control more quotas than others and the politicians struggle to gain those with most quotas. But once they have acquired cabinet quotas, the ministers tend not to interfere with their colleagues' activities.

The government of Gen Chatchai Choonhavan, who was overthrown in last year's coup, was dubbed "the buffet cabinet", a suitably modern expression in a country where the word for "eat" is slang for being on the take. In the age of double-digit growth, there was plenty for everyone. In political terms, quotas actually meant a kind of free trade, a free-for-all.

The present Cabinet has its share of rent-seekers but the experience of the past two years and the fragility of the government of Mr Chuan Leekpai, the prime minister, could curtail the buffet.



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THAILAND 5



Bangkok's infamous traffic jams very soon bring the air passenger rapidly down to earth

Photo: Terry Kite



The flourishing and congested economy has created the need for infrastructure investment

Photo: Terry Kite

Peter Ungphakorn takes a look at modern Thai capitalism

Beware of pitfalls for the uninitiated

THE experience of arriving at Don Mueang, Bangkok's international airport, typifies modern Thailand and some of the pitfalls that await the uninitiated.

The international terminal was modernised in the late 1980s and some construction is still going on. Because of the rapid expansion of tourist and business traffic, Don Mueang is already becoming congested and a new airport is being considered at Nong Ngoo Hao, south-east of Bangkok.

Nevertheless, arrival can be a pleasant experience in comparison to other airports in the region. There are dozens of immigration counters and officials vigilantly watch the queues. Whenever lines start to lengthen, extra officers swiftly appear and more counters are opened.

Luggage arrives on the carousels with refreshing speed, and passengers can pass through customs within minutes. Signposts point to the counters of the two limousine companies operating shuttle services between the airport and the city centre. Just in case jet-lagged passengers miss the signposts, uniformed staff offer a helping hand, sometimes a little too aggressively.

Private sector competition, friendly Thai service and a desire to make life comfortable for foreign visitors all help to

convey the customer swiftly out of the terminal and onto the Vibhavadi Rangsit Highway.

Only then do Bangkok's infamous traffic jams, worsened by the construction of a second-storey toll-way, bring the passenger rapidly down to earth.

What the first-time passenger to Bangkok probably does not know is that there is a third taxi service into the city. There are no signposts and no official guides.

You should neither head straight out of the building, nor turn right along with the

The first-time passenger probably does not know that there is a third taxi service into the city

tour groups, nor go to one of the limousine counters. Instead, you have to turn left outside the customs hall, walk through the friends and relatives waiting to greet arriving passengers, and report to an official counter.

You can then board a regular taxi, now more and more frequently a brand-new, comfortable cab, and travel into Bangkok without the luxury of the limousines but at half the cost.

This, too, is the result of modernisation. A closer look at its background reveals much

more about the nature of Thai capitalism and the complexity of doing business in a country where enterprise is not always as free as it seems.

Don Mueang airport is also the site of the Royal Thai Air Force headquarters. Between the runways, officers and their friends can be seen playing the greens and fairways of the air force's golf course. The head of the Airports Authority of Thailand, officially a separate state enterprise, is traditionally an air force officer.

"We'll always need the assistance of the air force," executives of the authority assert frequently, even after the anti-military protests in May and such reforms as the reshuffle at the top of Thai Airways International.

The third taxi service used to be a totally illegal racket, apparently controlled by middle-level air force officers and military police. The drivers were often moonlighting junior officers who paid bribes to the controllers. Proper taxis were not allowed into the airport, but some managed to gain entry also by paying bribes.

The limousines at that time were a monopoly of Thai Airways International, also dominated by the air force.

Locals, unwilling to pay either the illegal operators or the exorbitant limousine fares, used to drag their luggage to

the Vibhavadi Rangsit Highway in order to hail a regular cab.

Public opposition to this set-up and its association with crime forced the authorities to install a more open system that would conflict less with such tourism promotions as Visit Thailand Year in 1987.

Vested interests prevail, however. Thai Airways' limousine monopoly was broken with the introduction of the second service but the new concession was awarded to a company run by politicians with close connections to some air force officers, a fact that aroused considerable press criticism.

The total absence of any information in the arrivals hall about the regular taxi counter is an indication of the protection the Airports Authority is willing to offer the two limousine services. Modern Thai capitalism consists of competition, openness and a more streamlined bureaucracy in some agencies, blended with influence, personal connections, corruption and red-tape.

Public opinion and the desire to attract foreign investors and tourists have led to more modern practices. The Board of Investment offers faster, one-stop processing for new companies. Telephones are becoming easier to obtain without the

customer always having to pay

a hefty bribe. The new taxis really do operate with their meters running, at least part of the time.

But the Customs Department remains one of the most corrupt in the Thai bureaucracy and the Immigration Department is a headache for many foreigners. An archaic aliens' business law reserves for Thais (and Americans under a special treaty) such occupations as hairdressing, alongside professions such as accounting. Changes of government or cabinet reshuffles tend to swing the fortunes of government

Foreign investors are usually advised to form joint ventures with local partners

projects back and forth with equal frequency.

Foreign investors are therefore usually advised to form joint ventures with local partners who know the terrain well. Participants in trade missions are advised to give themselves enough time to learn about Thailand so that they are not misled into thinking this is another Malaysia, Taiwan or Italy.

A typical battle is being waged by Lavalin International Group of Montreal. Since 1988, Lavalin has been trying to per-

sue the Expressway and Rapid Transit Authority (ETA), a state enterprise under the Interior Ministry, that its light rail system with an advanced linear-induction motor technology is ideal for an elevated railway in congested Bangkok.

Lavalin's fortunes rose and fell as successive administrations - including successive shifts of power in the ETA - first favoured then cast doubt on Lavalin's bid. The technical side was not straightforward. Lavalin was offering technology and construction specifications that in some circumstances were radically different from the more traditional heavy rail technology of its rivals.

At the same time, technical specifications were only part of the story. The battle between Lavalin and its competitors - which included Germans, Australians and Japanese - hinged on individuals both in the Interior Ministry and in the Cabinet. Some favoured Lavalin. Some favoured the others.

While Thai governments came and went, Lavalin itself was taken over by another Canadian company, UTDC.

At the critical moment of the final decision, power was in Lavalin's favour. It led to the signing on February 7, 1992, of an agreement for Lavalin to build what has become known

as "Skytrain". In July, the government declared the agreement null and void because the Canadians had failed to keep a commitment on raising capital for the project.

The Canadians say the problem is a technical misunderstanding arising because another partner in the project was also taken over. The details are convoluted, but the upshot was that the government, at that time under the premiership of Mr Anand Panyarachun, scrapped the project. Instead, a new state enterprise was set up to handle the capital's rail projects directly.

The consortiums that bid against Lavalin have long given up the fight. But Lavalin's Thai representatives have tenaciously kept up the pressure. If Lavalin were not going to build and operate the new railway, at least it could sell the technology - and some trains - to the new state enterprise.

Two recent developments seem to have improved Lavalin's chances. The September 13 general election brought a new government to power and with it new Interior and Transport ministers. The Expressway and Rapid Transit Authority has also seen another reshuffle which some observers say will swing the balance back in Lavalin's favour.

A smooth ride can never be guaranteed, however. Two other rail projects for Bangkok are also being built and a German company recently pro-

posed building an underground railway, something few ever thought possible for a city that is essentially built on delta swampland.

The Lavalin story is a repeat of countless others. Leyland of Britain and Van Hool of Belgium spent years trying to sell buses to the Bangkok Mass Transit Authority, yet another state enterprise supposed to look after the welfare of the city's commuters.

Neither made a single sale - the Japanese and South Koreans waited quietly while

Social changes are slowly forcing changes in the way business is conducted

the Europeans battled and then shared out the lower-priced spoils when a decision was eventually reached to replace almost the entire fleet of buses.

And yet the booming and congested Thai economy has created both the purchasing power and the need for infrastructure investment. The accompanying social changes are slowly forcing changes in the way business is conducted and in the way the bureaucracy works. And companies such as Lavalin show that tenacity, suitable products and skilled partners do allow non-Asian companies a chance in a country that often seems distant and mysterious.

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THE PROPERTY MARKET

Is this the time for investors to move into the property market in the UK? Counter-cyclical strategists - people who invest against prevailing trends - can take heart from opinion polls that suggest that confidence in the property industry has never been so low. At the same time, property yields have rarely been so attractive compared to those of equities and bonds.

More encouragement can be taken from the impact of interest rate cuts and the devaluation of sterling since mid-September following its exit from the European exchange rate mechanism. Since then, property shares, which anticipate movements in the underlying property market, have risen by 31 per cent, nearly twice the rise of the rest of the stock market.

The cut in UK interest rates by three percentage points since Black Wednesday has made many property acquisitions self-financing. Entrepreneurs have found they could borrow money for five years fixed at, say, 8% per cent to buy a good quality property with a yield of 10 per cent.

The cut in interest rates has stimulated a flurry of investment deals, particularly in the City of London. German investors have been particularly prominent following the devaluation of sterling. The latest such deal was this week's £73m sale of M&P's office building in Finsbury Circus in the City to DIFA, a German property fund, on a yield of 8.6 per cent.

"It is the first time for many years that quality property of this calibre could be acquired at a level which is presently self-financing," said Mr John Rigg, investment director of Debenham Tewson Chinnocks, which arranged the deal.

Brighter outlook for the bargain-hunters

Lower values and reduced interest rates have created opportunities for investors, writes Vanessa Houlder

The case for buying property largely rests on the unprecedented shift in values in recent years. UK office values have now fallen to half their value at the peak of property values three years ago.

The gap between property and equity yields, which was negligible in the early 1980s, has now widened: property yields are now double the yields on equities. At the same time, yields on property now stand

a case for property as a means of diversifying pension fund portfolios, which some actuaries believe are now overexposed to equities.

"Over the past 25 years, property has produced a far better return than gilts and has not lagged far behind equities. Of the three major media (property, gilts and equities), returns from property have also been the least volatile," said Mr John Hetherington, an associate at Chesterton, property adviser. "The underlying reason for avoiding property is that recent history remains more in the mind than that of the further past."

But these arguments are not conclusive. First, property yields are hardly inexplicably high. Property will have no growth potential so long as supply exceeds demand. Indeed, rents are still falling. Although investors expect retail rents to bottom out in 1993, they expect industrial rental values to fall by a further 4 per cent over the next 12 months and office rental values by another 8 per cent, says IPD.

Second, lower interest rates do not guarantee improved performance. This point, which is already evident from the market's lack of response to a fall in interest rates

from 15 per cent to 7 per cent since 1990, is underlined by the absence of a correlation between base rates and the performance of the property sector over the past 20 years.

Even the striking coincidence between the property upturns of 1971 and 1977 and the decline of short-term interest rates below property yields may be misleading. Kleinwort Benson, the investment bank, points out that with high

inflation, real interest rates were negative in 1971 and 1977. Real interest rates are unlikely to fall below 2 per cent in the short term even with a much looser monetary policy, it says.

Moreover, the decline in short-term interest rates has not impressed institutions, which unlike more entrepreneurial investors, tend to compare property yields with gilts. Gilts yields have fallen only modestly in recent

months, thanks to concern about inflation, the public sector borrowing requirement (PSBR) and a drying-up of interest in UK gilts by overseas investors.

When IPD conducted a survey of institutional investors, it found that hopes of a widespread and rapid fall in yields had evaporated. "The average estimate now is that only retail yields will fall significantly in the next 12 months, by about half a percentage point," says IPD.

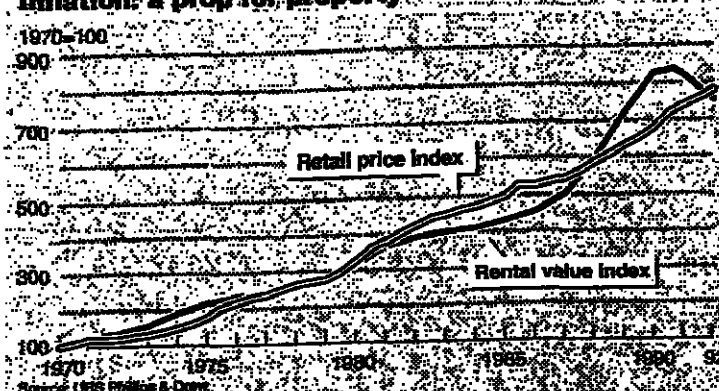
But perhaps the most sobering argument against assuming that falling interest rates will help the property market is that asset values respond less to the cost of money than its availability. There is little reason to believe that the supply of credit to the property industry will expand while the banks are nursing so many bad property loans.

Moreover, institutions are unlikely to increase their allocation to property. Property has lost its reputation for stability, it has shrunk to a minimal share of most pension funds' portfolios and the institutions' cashflow is likely to be directed to gilts to finance the PSBR.

For all that, there are pockets of demand in the property industry. The oversupply in the industry coupled with the conservatism of lenders and investors is funneling demand into the relatively few buildings with good tenants and long leases. At the other end of the scale, many buildings - perhaps as much as half the market - are virtually unsellable.

With such a fragmented market, the case for buying property is neither universal or overwhelming. Nonetheless, the fall in property values and financing costs has created better opportunities than the market has seen in years.

Inflation: a prop for property



Source: IHS Building & Home Economics

STERLING'S devaluation and lower interest rates in the UK have raised the possibility that rising inflation will come to the rescue of the industry, as it did after the property collapse of the early 1970s. Over the long term rental growth has matched the rate of inflation, averaging 10 per cent a year since 1970.

Inflation pushes up construction costs, which has a knock-on effect on values. It also erodes the real value of debts and reduces real interest rates, thereby depressing the sale of properties by over-stretched companies. Furthermore, inflation enhances the standing of property compared with bonds for

institutional investors. But the benefits of inflation cannot be taken for granted. Even if retail prices rise, this may not lead to asset inflation, which depends on weight of money moving into property and forcing up prices. The imbalance between supply and demand is likely to blunt the impact of inflation on rental values for several years.

Moreover, it is possible that higher inflation will necessitate an increase in interest rates before the fundamental problems of the market have been resolved. The risk is that this would stifle occupational demand - ultimately the only real saviour of the property sector.

Changes in property value

Property Type	Year	Index	Year	Index	Year	Index
	1970	100	1975	100	1980	100
Office	1970	100	1975	150	1980	200
Retail	1970	100	1975	120	1980	150
Industrial	1970	100	1975	110	1980	130
Residential	1970	100	1975	105	1980	110
Public	1970	100	1975	102	1980	105
Current yield levels	1970	8.0	1975	10.5	1980	11.0

Source: IHS Building & Home Economics

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BUSINESSES FOR SALE

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The Minister of Privatisation acting on behalf of the State Treasury, in accordance with the Privatisation Law (Article 23, 13 July 1990) invites interested parties to negotiations for the acquisition of (not less than 10%) shares in

SKAWINA

Koncentraty Spozyczyce S.A.

The company is located in Skawina near Kraków and manufactures biscuits, pretzel sticks, and pasta, as well as coffee under the "Jaka" brand name. The company employs 1136 people and had sales of US \$ 22 mn in 1991. In accordance with the Privatisation Law (Article 24) up to 20% of shares will be offered to company's management and employees on preferential terms. Please submit your written proposals by 12.00 on 8 January 1993 to:

Andrzej Mierzwia, Project Director
CET Financial Services
ul. Parkowa 1, 00-517 Warsaw
fax: 21 75 73

Your proposals should include basic information about your company, the reasons for your interest in the transaction, and whether your interest is in a minority (11% - 50%) or majority (51% - 80%) stake. The Information Memorandum will only be made available to potential direct investors after a Letter of Confidentiality has been signed. CET will enable interested parties to visit the company. The Minister of Privatisation reserves the right to cancel this invitation and not to take up negotiations without giving reasons. Any questions related to this invitation should be sent in writing to Andrzej Mierzwia or Tomasz Klokowski by fax or post. No information will be given over the telephone.

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2. The Financial Analysis
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The detailed description of conducting the analyses are stipulated in the Decree of the Minister of Privatisation dated the 20th of November 1990, concerning the performance of legal, financial and environmental analyses, of the assets of the Company, their financing and the qualification of the personnel performing the above mentioned analyses (Dz. U. nr 21/190).

The detailed scope of the work will be described in the contract. The offer shall include the following:

a) name, address, telephone, fax, telex and name of the General Manager of the Firm
b) copy of the Firm's commercial registration or the appropriate certification of registration to the Register of the Commercial Companies
c) description of the up to date Firm's activity, listing performed projects and the time of their realization
d) references
e) team structure which will perform the analysis with the following division:
- team leader
- persons liable for particular parts of work (Ann. p. 25)
f) professional experience of the personnel who will perform the analyses
g) the expected timetable of the work to be performed
h) the Firm's remuneration proposal for the performance of the specific parts of work. The offer shall be submitted to the Ministry of Privatisation in Warsaw, Krucza Street, 26, Office 476.

For further information regarding the Company, please contact Miss Joanna Wojcik: Office 476 from 10am to 5pm. The final date for submission of offers is the 16th December 1992. The offers will be evaluated within a two week period from the date of their submission. The result of the competitive bid procedure will be announced to all participants by mail.

The Minister of Privatisation reserves the right to:
1. in the case of similar offers, to choose the final bidder in the second stage by way of an invitation to bid.
2. to cancel the competitive bid procedure without giving any reason.

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A ticking timebomb was placed under the tables of corporate boardrooms across Britain this week with the publication of the final report of the committee on the financial aspects of corporate governance, chaired by Sir Adrian Cadbury.

At the heart of the report is a series of guidelines which will require fundamental change in the significance and responsibilities of non-executive directors.

But while many businesses and professional bodies welcomed the conclusions, some are beginning to question whether implementation of the recommendations will be more evolutionary than explosive. The Cadbury report places great emphasis on the influence that needs to be exerted by independent, non-executive directors. If all goes to plan, the days of sinecure appointments will be banished, as will the era of directors appearing once a year for a comfortable dose in the boardroom after lunch.

Perhaps the most serious concern about non-executives which is raised by the Cadbury Committee is whether there is an adequate supply of qualified, independent people. Colin St Johnston, managing director of Pro-Ned, an organisation which promotes the role of non-executives, estimates that 95 per cent of quoted companies now have non-executives on the board, against 50 per cent 10 years ago.

Theoretically, there is no shortage of supply of non-executives. Pro-Ned maintains a list of some 1,600 potential candidates. A number of executive search firms also fill gaps in the market.

But there is a question over the quality of these candidates. St Johnston says that while financial skills are well represented, those with marketing experience or foreign language skills and overseas experience are limited. More important is the fact that few companies are turning to external sources to recruit. A recent study by Pro-Ned and the Stock Exchange showed that most are still appointed via what Pro-Ned disapprovingly called the "Old Boy Network". Only about 30 per cent use a formal search process to identify candidates and as few as 23 per cent have a written job profile to help in selection.

The more demanding the calls on non-executive directors, the smaller the pool from which to draw will be. Sir Adrian is confident that there are many capable, well-travelled, members of main boards who could be employed, including those who sit on divisional boards and individuals drawn from the public and the non-profit sectors.

Yet many names have remained, unused, on Pro-Ned's lists for years.

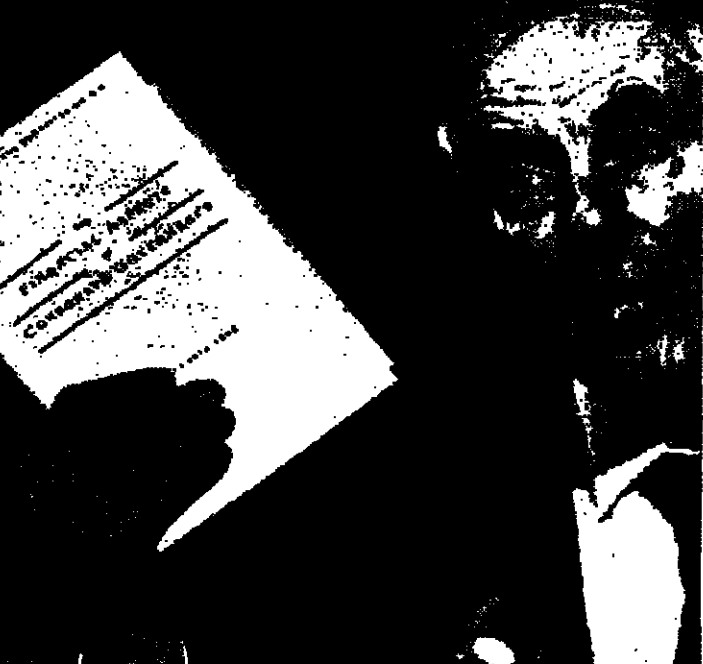
New breed on board

Andrew Jack looks at the Cadbury Committee's emphasis on the role of non-executive directors

'The Committee believes that the calibre of the non-executive members of the board is of special importance in setting and maintaining standards of corporate governance'

'Non-executive directors should bring an independent judgment to bear on issues of strategy, performance, resources, including key appointments and standards of conduct'

Sir Adrian Cadbury, chairman, Cadbury Committee



This may indicate a disappointingly low turnover of non-executives, a reluctance to use more objective selection procedures, or a lack of quality of those currently available. The Cadbury recommendations clarify the roles of such directors, but a distinction must be drawn between different parts of the report. One section gives a code of "best practice". All quoted companies will be required to make a statement in their annual accounts

that they comply with the code, or identify and explain any areas with which they do not.

The code requires non-executives "of sufficient calibre and number" to provide significant weight in the boardroom. They should be independent of management, appointed for specified terms and selected through a formal process.

But many of the stringent Cadbury recommendations fall into a separate series of supplementary

recommendations on "good practice". These include the much-publicised suggestion that there should be a minimum of three non-executives on every board.

They also include a number of important points, such as the need for at least one meeting of the audit committee each year with the auditors and without any executives present, to discuss unresolved issues of concern.

While some aspects of the formal code will be scrutinised by a company's auditor to reassure shareholders that they are being followed, many of the more subjective parts of the code, and none of the good practice guidance, will come under the auditor's gaze.

That is not to say that many of the recommendations will not be followed. The code has been designed to reflect existing best practice. A number of companies are already responding to the heightened interest in the subject.

But one of the most revealing aspects of the final Cadbury report is the changes which distinguish it from the draft issued in May. The press release accompanying the report listed a number of changes introduced as a result of consultation with shareholders in the last six months, but some important dilutions were given less emphasis.

Sir Adrian talks about a "clarification" of the role of non-executive directors, particularly regarding suggestions that they might be creating a "two-tier board", rather than forming part of a single, unified structure.

That came in response to complaints from the Confederation of British Industry and the Institute of Directors about casting non-executives divinely in the role of policemen of the board.

In fact, there is a substantial distinction of the role and status of non-executives. Gone from the final version is mention of the need for a non-executive representing shareholders' interest, for instance.

It is true that all directors have the same liability under the law. But equally the non-executives are intended to provide some degree of independent scrutiny. That has to imply the existence of a two-tier structure and may be no bad thing, as a submission to the Cadbury Committee from the Institute of Chartered Accountants of Scotland pointed out.

Without this additional responsibility attached to non-executives, the only external scrutiny comes directly from shareholders - particularly the institutions - who have been widely criticised for their lack of activism up till now.

All this suggests it will be many years before Cadbury's recommendations are in place in the majority of British companies.

Christopher Lorenz

Life's compensations



TUCKED away in this week's Cadbury Committee report on British corporate governance is a little-noticed paragraph. It reads like a clause from the US Freedom of Information Act. It concerns board remuneration, and starts: "The overriding principle... is that of openness. Shareholders are entitled to a full and clear statement of directors' present and future benefits, and how they have been determined."

Barely seven weeks ago a similar declaration was made by the chairman of the US Securities and Exchange Commission about what Americans permit in calling executive "compensation".

Introducing a set of changes in the SEC's rules on the disclosure to shareholders of such "compensation", the commission's chairman said that disclosure should be "clear and complete".

But there the similarities end. For the six-line clause on executive pay in the Cadbury "Code of Best Practice" is not only far from full by US standards, but also somewhat less than clear.

By comparison, the SEC's "fact sheet" about its new rules on compensation disclosure runs to three full pages, backed up by a sheaf of charts and explanatory notes.

The real extent of the yawning gulf between the two nations' interpretations of "full", "clear" and "complete" becomes evident from the content of the two bodies' actual provisions.

In the SEC's case, these are fully-blown regulations, but in Cadbury's they are mere recommendations - albeit reinforced by the threat of bad publicity and shareholder pressure if companies fail to conform. From January US companies will be required to include in proxy statements to shareholders a set of tables, notes and reports. They include:

- The "compensation" of the chief executive, broken down into seven main categories for each of the past three years: salary; bonus; a catch-all category of five types of other annual compensation (including perks and tax payment reimbursements); awards of restricted stock; awards of options and stock appreciation rights; payouts under long-term incentive

plans; and, finally, a second catch-all category of five other types of compensation, such as accrued earnings on deferred pay.

Including the itemisation required within certain notes, some highly-rewarded executives could have to declare a dozen separate aspects of compensation.

And that is just the start. Precisely the same breakdown must be shown for the four other most highly-paid senior executive officers (if they earn more than \$100,000 a year).

All this information must be displayed in a large summary table, with each of the five executives named. Other more detailed tables are also required, covering employment contracts, termination agreements, various possible eventual values of options and stock appreciation rights, plus other items.

The compensation committee must provide a detailed discussion

Cadbury's "softly, softly" approach is one reason why companies which do not conform to the code must now move very rapidly to do so

of the relationship between executive compensation and corporate performance.

I could continue this description at the same length again, but will desist. Worried parties should contact the SEC direct.

The purpose of its new rules, along with changes introduced early this year governing voting at company annual meetings, is to give shareholders more influence over the level and structure of executive pay packages.

In comparison, the pay section of the Cadbury Code looks puny. It merely recommends disclosure of directors' total "emoluments" (again, an archaic word), but as a group rather than individually. As at present, the only identifiable individuals for whom any detail must be given are the chairman and highest paid UK director, who are often the self-same person.

The code does say that, for these individuals and for the board as a whole, a breakdown should be given between salary and perfor-

mance-related elements and that the basis for performance-measurement should be explained. But no level of detail is prescribed for either of these. Nor is the controversial subject of stock options mentioned in the code.

To anyone other than a self-interested British company director, the obvious temptation for the foregoing might be to ridicule Cadbury's efforts. But that would be wrong for two reasons.

First, the committee's recommendations are well ahead of actual British corporate practice. According to Monks Partnership, a leading remuneration consultancy, only eight of the companies in the FTSE-100 index comply wholly with Cadbury's pay guidelines (which also include an indication of the existence and composition of a remuneration committee). Barely a third explain incentive payments in any way; only a fifth show the performance element in total board emoluments; and only an eighth show it in those of the chairman or highest paid director.

In other words British disclosure practice is antediluvian compared with that of the US.

The second factor is that the whole effectiveness of the Cadbury Code - of which board pay is only a small part - relies on the creation of a consensus among most companies that its clauses are fair, sensible and practical. At this stage, to have threatened three or four more directors per boardroom with disclosure of their individual pay arrangements would not have been exactly tactful. Later, perhaps, but not now.

Cadbury's "softly, softly" approach is one of several reasons why companies which do not conform to the code must now move very rapidly to do so. Otherwise they will bring on themselves - and everyone else - a much tougher and regulatory regime.

Since Cadbury issued its draft report in May, the climate of London financial opinion has begun to swing away from gentlemanly but ineffective self-discipline, towards official regulation.

In any case, fuller pay disclosure is in a company's interest. The more open it is, the less room there is for misunderstandings - or for justifiably bad publicity - when shareholders and the media find out. But time is running short for voluntary action.

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Cashless society in Denmark

Ole Christensen set off for work in the Danish town of Naestved without a kroner in his pocket, but still managed to park his car on a meter, buy lunch in the canteen, phone his wife from a call box and wash his shirt in the laundrette on the way home.

Instead of cash, Ole is carrying a new plastic prepayments card, which can be used for a wide range of small transactions. His town is the pilot site for the card, which the operating company, Danmont, claims is the most advanced in the world. The service should become accessible throughout Denmark by March.

Henning Jensen, managing director, is already receiving international inquiries. Danmont differs from existing prepayments cards because it is an open system, in which a card from any issuer can be used to buy services from any participating supplier.

Eight banks and the local telephone company, KTAS, have so far issued 18 different designs of card with a value of £10 to £30. They contain a microchip which deducts the value of each transaction and credits the relevant supplier.

Rechargeable cards should be available by 1994. Henning Jensen says the cashless society is working well in Naestved. Some 4,000 cards have been tested in laundrettes, food and drink vending machines, parking meters and public telephones.

The system is geared to individual transactions averaging under £1, which do not require a receipt. Danmont - set up just over a year ago by KTAS and Danish Payments Systems, the direct debit card company - acts as a central clearing house for payments.

For the cost of installing a terminal, and a flat fee of £125 a year, suppliers get a secure and reliable method of charging which is vandalism-proof. Siemens is supplying the chip used in the cards and several Danish suppliers have developed terminals.

Singapore will start testing a common stored value card next year, and Atlanta plans one for the 1996 Olympic Games. Meanwhile, Danish equipment manufacturers are helping to shape standards for an eventual common European system.

Margaret Dolley

Humphrey Bogart died 35 years ago, but he could soon return to the entertainment world as the star of a new film on compact disc. New developments in digital technology promise to make it possible to revive past Hollywood stars such as Bogart from old films and put them in new ones.

At this stage, Hollywood studios are cagey about their plans for this rapidly advancing technology. But by turning Bogart's image from the films in which he starred into digital signals, which can then be manipulated, they could make the star of Casablanca do things on CD that he never did on celluloid.

That, however, is only one of the creative possibilities offered by digital video. It has the potential to do for images what digital sound on CDs has done for music - provide random access and the ability to make near-perfect copies. There will be no need for rewinding to get to a particular sequence. Nor will repeated viewing mar the image.

Interestingly, films on digital video could have alternative storylines, to be selected according to the viewer's taste, or different characters could be worked into the story. Imagine your favourite James Bond film with a new ending.

Whatever surprises emerge, video seems set to move into a new generation. For most consumers, video means products in analogue form such as cassette tapes and laser discs. While digital audio has been available to consumers in CDs for more than 10 years, it is only recently that work to digitise picture information has approached the commercial stage.

That is because there is so much more information in a visual image than in a sound recording. After conversion to digital signals, the image must be squeezed sufficiently for storage on a CD.

"The picture is compressed and blown up again, and the trick is to do this without people noticing," explains Simon Turner, head of the interactive systems group at the Philips Research Laboratories in Redhill in the UK.

Images have a compression factor of 133 compared with one of about four for sound; so video compression requires far more processing power than sound compression. At Redhill, where work to convert visual information into digital signals and compress it (known as encoding) has gone on since 1989, 10 minutes of full-screen video used to take three weeks of continuous processing with a mainframe computer.

But rapid advances in digital technology are bringing digital video closer to the desktop and into the living room. Philips, the inventor of the CD, has been working on

Films on CD may soon replace traditional videos, but far more is in store for viewers, writes

Michio Nakamoto

Playing it again



Humphrey Bogart in Casablanca: his career could be revived on digital video

the digitisation of video for the consumer market.

Next year, the Dutch group will bring out a device called a full-motion video decoder to be slotted into its Compact Disc-Interactive machine, a new type of home entertainment system the group launched last year at about £500. It enables users to play with audio, graphics, data, animation and photographs stored on CDs and viewed on their television TV screen.

When fitted into a CD-I machine, the FMV decoder - which will sell for about £125 - will enable digital video to be viewed on TV, but not to manipulate them. CD-I sets incorporating FMV will also be launched in the near future.

The challenge Philips faced in developing full motion video for consumer use was to provide high-quality digital video at prices acceptable to the consumer market. That meant putting the decoding function - the conversion of the digital signals into full motion video images that can be shown on a TV screen - on a single chip and

reducing the cost of the decoder. That work has been carried out in close collaboration with Motorola, the US semiconductor and communications group.

Meanwhile, the encoding time has been substantially reduced and Philips expects to have a real-time encoding machine next year, which could encode 10 minutes of film in 10 minutes. Once the encoding and decoding hurdles have been overcome, the manufacturing of digital videos on CD will cost no more than audio CDs - about 50 pence.

But digital video is only one step towards the digitisation of visual images. Expectations that moving images will increasingly be digital have led companies in industries from telecommunications to computers and semiconductors to join forces in the Moving Picture Experts Group and agree an international standard for digital video encoding, known as MPEG-1. This will be followed by MPEG-2 for products with a higher data rate such as digital TV.

The quality of digital video based on MPEG-1 will depend to a large extent on the quality of the original source but should be at least as good as ordinary video tapes. Philips demonstration videos using high-quality original source material look considerably better.

But Philips is nonetheless dependent on the studios to come up with software which does the quality justice and attracts consumer interest. Fortunately for Philips, Hollywood studios and TV broadcasters are keen to develop creative applications of digital video as another way to exploit the visual material they own.

George Lucas, of Star Wars fame, is one of the many producers looking at the creative possibilities of CD-I and full motion video.

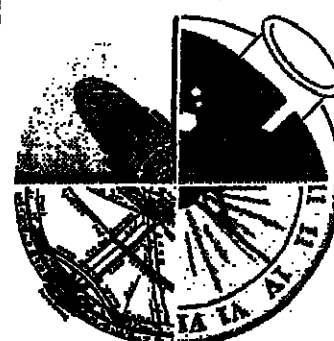
Interest is also strong in the UK, where more than 20 studios are developing applications. Wildvision, part of BBC Enterprises, is working on a game in which a particular ecosystem is used as a backdrop to follow the adventures of animals living there. "We were immediately taken by the idea of interactive video," says Michael Bright, managing editor of Wildvision.

Philips expects to have 15 titles available in the spring with the launch of full motion video and many more to follow as work at various studios produces results.

While there are undoubtedly interesting ideas for interactive video, the big question is whether any will be good enough to spark enough interest in the new technology.

Without a few hot-selling applications, digital video could prove to be ahead of its time and the market too slow to produce the dividends Philips needs.

Worth Watching • Della Bradshaw



Teraflop takes on slower dinosaurs

To the uninitiated, a teraflop machine might sound like a dinosaur trap. To those in the know, it is one of the fastest computers around.

The CS-2, developed by Melko of Bristol, can carry out 100,000 times as many instructions as today's most powerful personal computers or workstations in the same time span. The company envisages that the teraflop machine will be used for large database applications as well as the more traditional supercomputer applications such as weather forecasting.

The CS-2 achieves such speed because thousands of processors work in parallel - unlike conventional serial computers where each bit of data is processed consecutively. Melko: UK, 0454 616171.

Writing on the wall for art thieves

A centralised database of works of art has been set up by a Palm Beach County businessman to help prevent the trade in pilfered paintings.

Roger J Mealey believes the database will enable insurance companies and museums to ascertain whether a work is genuine or stolen. On registration by the owner, an image of the picture is digitised and colour scanned. Subscribers to the service then get access to the Sure Collection records using a computer and modem. Sure Collection: US, 407 881 8085.

Film makers put in the picture

With the eye-piece of a video recorder pressed against one eye it is often difficult for world-beat movie makers to envisage what

their video will look like when completed. That is why Japanese camcorder manufacturer Sharp has designed a machine which incorporates a four-inch colour TV screen which shows the user exactly what is being recorded without the need for an eyepiece. Although the liquid crystal display screen is on the rear of the camera it can be swivelled round so that, using a remote control unit, film-makers can record themselves.

The VL-HL1, as it is called, has just been launched in Japan, and will be available in the US and Europe next year. Sharp: Japan, 06 631 1231.

Timesheets go out of the window

As the recession continues to bite, professionals who work on a time-accountable basis - accountants and solicitors, for example - are under increasing pressure to record accurately the time they spend on each client's affairs. The ProTem 300 electronic aid has been designed to replace the traditional timesheet and provide vital billing information.

The pocket-sized time recorder can be used in the office, or on the move, and has sufficient memory for up to 8,000 client/project combinations. Every few days the information is downloaded on to the office PC - ProTem works with all commonly-used database and accounting packages. The gadget is loaded with data from the PC. When a client calls, the user presses the "on" button, enters the name and the gadget does the rest. Pentica Communications: UK, 0734 792101.

Season's greetings from festive PCs

Print your own Christmas card with a festive font pack designed for those using the latest Windows software. The Winter Holiday font pack produces snow-capped letters for the verse, not to mention pictures of jolly Santas, holly, snowflakes and even a turkey. To ensure the £14.95 package is not just a one-week wonder, developers Blaststream of the US have also incorporated a pumpkin for Halloween and hearts for Valentine's day. Blaststream: US 617 497 6222. Fontware: UK, 0329 632857.

PEOPLE

Refit at Austin Reed

Austin Reed, the clothing retailer and manufacturer that in October recorded its first ever loss in the 28 weeks to August 8, has promoted Colin Evans, the 43-year-old deputy chairman and director of the retail division, to the new post of chief executive. At the same time, group managing director Neil Fitton, is moved back to head the manufacturing side.

"This cleans up the management structure; it was getting a bit too heavy," says Barry Reed, who explains that he has been "both chairman, and, without saying so, chief executive," Evans (below) and Reed are cousins, both grandsons of founder Austin Reed.

Reed, 61, says the plan is to put a younger team in place, whilst acknowledging also that the creation of the role of chief executive addresses the

Cadbury recommendations on corporate governance. Evans has been director of the retail division for the past two years, but Fitton has had a much higher profile with the City. Commenting on Fitton's effective demotion, which surprised analysts yesterday, Reed explains how he "came out of manufacturing and has great ability on the manufacturing side." Fitton had been group managing director since 1985.

Once marketing director of Chester Barrie, he became its managing director in 1978 when it was acquired by Austin Reed. "These are difficult times. We must try and focus the group on the Austin Reed label. We are after all first and foremost a retailing business which also has a manufacturing side," adds Reed.

David Anderson, 51, former finance director and currently commercial director, is retiring as an executive, but remains a non-executive director. Jill Anders has been made company secretary.

Waddell to Shanks & McEwan

Shanks & McEwan, the Glasgow-based waste management company, has appointed Gordon Waddell to replace Peter Runciman as chairman at the end of the year.

A Glasgow-based boy who was capped 17 times for Scotland, Waddell went to South Africa where he married the daughter of Harry Oppenheimer, the head of mining group, Anglo American Corp. Reversing a more normal course of events, Oppenheimer hired the persuasive Scot after Waddell had already separated from his daughter.

In spite of doing as a Progressive Party Member of Parliament in Johannesburg for three years in the 1970s, Waddell decided not to settle in South Africa and returned in 1988 to reacquaint himself with his Scottish roots.

He is a director at Cadbury Schweppes and, in 1989,



became chairman of Fairway Group, the educational products group. And he sat alongside Peter Runciman as a director of Scottish National Trust. He becomes chairman only

two months after joining the board, his elevation apparently accelerated by an illness Runciman suffered 16 months ago.

Runciman, who is approaching 65, is unlikely to lack distractions. He retains a large shareholding in Shanks, where he was first appointed as company director 12 years ago when the company was capitalised at £12m and losing money. Runciman is also a director of Scottish Opera and a non-executive director of British Steel.

Though on the Environment Council of the CBI, Runciman is likely to increase his attacks on the local wildlife - and not just on his own river. A keen amateur of fly fishing, Runciman says he is close to tracking down suitable stretches of river in Russia, where the sport is apparently hardly known.

See Observer

Jones quits Welsh development role

Gwyn Jones, one of Wales' younger entrepreneurs, is stepping down as chairman of the Welsh Development Agency so that he can spend more time on his growing business interests and his role as BBC governor for Wales.

The 44-year-old Jones, who was picked for the job by former Welsh secretary Peter Walker in 1988, will remain chairman until March 31 1993, or until his successor is appointed, if earlier. Prior to taking on the WDA job, Jones had been a successful businessman, having set up, and sold, a computer software business.

Although Jones had only recently been reappointed as chairman, his decision to quit is not totally unexpected.

Gay Walker, chairman of Van den Bergh Foods, is to become chairman also of Brooke Bond Foods, both Unilever companies. Peter Johnson, current chairman of Brooke Bond, will retire in March.

Leonard Magrill, director of strategic planning, has joined the board of TEXACO Ltd.

Brian Walton has been appointed md of BREVIN UK. Peter Metcalf, formerly a director of Plessey Avionics

Being a small country, Wales suffers from a shortage of well qualified people to take on the growing number of public appointments.

It has been known for some time that Jones was keen to lighten his workload, especially since he took on the job of being the governor on the BBC board representing Wales.

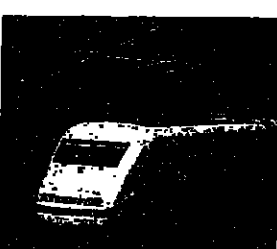
The WDA has been one of the more successful government-backed regional agencies in attracting inward investment. Since Jones took over, it has attracted twice as many projects as it did four years ago and last year Wales topped the UK regional investment league table.

See Observer

responsible for military avionics, has been appointed general manager at JASMIN SIMTEC, manufacturer of electronic systems such as a nerve gas detection system and a portable explosives detector.

Stephen Johnson, formerly general manager, has been promoted to md of VOYVO TRUCKS (Great Britain); he succeeds Barni Brandt, who has been appointed vice-president of VOLVO TRUCKS EUROPE.

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'Rinaldo and Armida' by Angelica Kauffman: her history painting was much admired by her peers

Femme fatale of the 18th century art world

Susan Moore on the life and work of the beguiling Angelica Kauffman

Why was Angelica Kauffman one of the most celebrated artists in late 18th century Britain? The current reappraisal of her work at Brighton Museum and Art Gallery (until January 3), shows that her success resulted not so much from her skill as a painter than from her choice of subjects.

Did the fact that she was an attractive young woman help? Maybe, but there was more to her than that. The Swiss-born painter settled in London with her artist-father in 1766 after spending seven years studying and copying the old masters and classical antiquities in Italy, and making a name for herself with a handful of polished Grand Tour portraits. Like the much more talented Artemisia Gentileschi who came to Britain a century before, she was a far rarer bird than the average female painter. For she was a history painter, and as such commanded the utmost respect from her peers.

Her beauty and talent certainly beguiled the art establishment. There appears to have been an engagement to Nathaniel Dance in Italy, a marriage proposal from Sir Joshua Reynolds, and impassioned advances from her fellow ex-patriate Heinrich Fuseli. She was admired by Goethe and Winckelmann, even seduced by the Revolutionary Jean-Paul Marat - all of which makes

her something of an 18th century Alma Mahler. Like Artemisia, she received considerable acclaim for her representations of history and literature's female heroines, though there are none of the former's vulnerable Biblical Susannas and decapitating Judiths. Angelica preferred Pausanias, the devoted wife and mother who waits patiently for Ulysses' return, or Andromache and Armida who endeavour to prevent their menfolk from going to war.

There are affecting tearful reunions, grieving mothers and saccharine allegories of love. Male painters also chose moralising and sentimental themes from classical history and contemporary literature, but the poignancy of having such tender moments expressed by a woman's hand would have been irresistible.

No doubt it was subject-matter and style rather more than sentiment that appealed to Sir Joshua. His heartfelt wish was to promote a national school of history painting and "improve" public taste with scenes of heroism, patriotism and familial piety. Little wonder that Angelica Kauffman was warmly welcomed to Britain and invited in 1768 to be a founder member of the Royal Academy of Arts, an institution which in its early days showed no prejudice against women or foreigners.

Brighton's second exhibition gallery

is devoted to such academic histories - but what aird puffs of pomposity they are. They fail completely - rather as the fashionable conceptual-minimalist art fails today - to move or even to engage any but the most fanatical. Far from inspiring, they are unconvincing, formulae and bloodless.

It is perhaps unfortunate for Angelica Kauffman that Neo-Classicism now seems one of the least alluring episodes in the history of art. Only the great Jacques-Louis David could rise above the prevailing tide of sterile academism to create cool but never unfeeling tragedies in paint. The British public, excepting a handful of academicians, critics and the odd patron like John Parker of Saltram Park, cared far more for her portraits and decorative works.

At their best, the former have considerable charm. The famed beauty Lady Elizabeth Foster, later Duchess of Devonshire, with a vista across the Bay of Naples and Ischia stretching behind her, is one such treat; the unidentified classical draped lady with a statue of Minerva is a more typical English pudding. The exhibition selectors have presented this woman painter primarily as a painter of women. Her portraits of men are far more sympathetic.

Why hide her direct and intimate portrait of Garrick, say, turning to look at us over the back of a rustic chair? The only single male portrait here, of her

friend Joshua Reynolds in Van Dyck costume, straining as if to catch inspiration from the bust of his hero Michelangelo placed by his side, is a work of real quality and affection.

The final section of the show treats Angelica Kauffman's considerable and long-lasting influence on interior decoration and the decorative arts, which was made possible by the numerous prints made after her paintings and designs. Prints line the walls, vitrines house Derby, Vienna and Paris porcelain, enamel plaques, Wedgwood medallions, tea trays and textiles all decorated à la Kauffman. Courts & Co, for instance, lend a delightful late 18th century commode decorated with her scenes illustrating Homer's *Odyssey*.

An essay in the informative book accompanying the show, *Angelica Kauffman: A Continental Artist in Georgian England*, edited by Wendy Wasyng Roworth (Reaktion Books Ltd, £9.95) finally lays to rest the myth that almost every pretty Arcadian fancy set into an Adam interior is her work. There are only two documented instances of her personal involvement in one: her painting of four roundels in the vestibule of Burlington House, the present home of the Royal Academy. This is hardly surprising, since she remained in England for a mere 15 years, before the lure of the classical South proved too great.

Concerts on the South Bank

Levine and the Vienna Philharmonic

The Vienna Philharmonic Orchestra, in its 150th year of existence, has decided to spread itself more generously around the world. Cities other than the home base - London, Berlin, Paris, New York, Tokyo - are to be visited on a regular basis. This should be a cause for wide rejoicing: the orchestra remains probably the most admired in the world, and in the 19th-century Austro-German repertory (much of which is the orchestra's native inheritance) it continues to set a standard - for sound at once broad and warm in tonal character, mellow in blend, uniquely "together" in corporate personality - by which other orchestras tend to be measured.

But Wednesday's concert at the Royal Festival Hall, which launched the initiative (and which was transmitted live on Radio 3), was far from affording a great occasion. James Levine, the conductor, has been absent from London since the mid-1970s; one wanted to cheer his return, since in the intervening period

he has grown into a figure of weighty significance on the international scene. It became increasingly hard to do so, since Mr Levine's direction of Brahms, Schoenberg and Debussy was so plainly the reason for the artistic dullness, superficiality and (at times) gross vulgarity that hung on the evening like a lead weight. The Brahms was the Third Symphony. The orchestra's seating - violins opposite each other, violas and cellos in the middle - is the correct one, and its virtues were apparent in the even spread of beautiful sound, neither lopsided nor out of balance with the winds. In Brahms performance, though, beautiful sound is only the starting point: intellectual and emotional adventure, risk-taking, decisive approach to musical ideas are the necessary next stages.

This Brahms Three began and ended with beautiful sound. It lacked energy, inner direction, strength of conviction: it gave the impression of rather tired imitation. Vienna Phil reproduction. At least, though, the language that Levine and his performers were speaking

was recognisably, if not interestingly, Brahmsian. Their Schoenberg - the Five Orchestral Pieces, Op. 16 - was incoherent, with exquisite detail followed by muzziness and uncertainty (frankly, I wondered how completely well the players had mastered the music).

Their Debussy - *La Mer* - was simply grotesque: timbres worlds away from idiomatic leanness, every percussion flicker turned into a slam and a bang (the close of the first movement came direct from the J. Arthur Rank School of Debussy Interpretation), not the faintest grasp of how to mould sentences into paragraphs and thence into whole movements. The language of *La Mer* seemed mystifyingly foreign to these executors; their attempts to conceal incomprehension with regular recourse to inflated gesturing proved unsuccessful, to put it politely.

Max Loppert

Next VPO appearances on February 8, conductor Solli, and May 30, conductor Muti

Docklands Sinfonietta provides competition

While Levine and the VPO performed, Sian Edwards was conducting the Docklands Sinfonietta next door in the Queen Elizabeth Hall. They are an excellent band, expert and enterprising, and this was a particularly successful programme.

Their violins boast a cutting edge - keen rather than harsh, but never emollient - which in Mendelssohn's *Midsummer Night's Dream* Overture reminded us that there is rough, spine-tingling magic in the music, not just fairy-effects. The "chamber"-size forces were exactly right for it; the pizzicato violas, for example, told better against the scampering pp violins than they ever do in big-band performances. Just one quibble: in Bottom's bee-haw, the "hee"

was always played with a modern, drily literal staccato. Even in Mendelssohn's time, no ass ever brayed like that, and if I were Miss Edwards I should have insisted on having at least one violin palpably out of tune for it.

The scathing DS string-address was electrical in young Britten's Rimbaud study, *Les Illuminations*, the better to complement Joan Rodgers' bright and searching soprano. For a long time, *Les Illuminations* was regularly smoothed out to accommodate fluting English tenors; it has needed the rediscovery of the Britten/Auden *Our Hunting Fathers* to remind us all that early Britten could be abrasive, even nasty - but always clever. Here, Miss Rodgers did eloquent justice nonetheless to

the decadent, swooning numbers too.

Miss Edwards kept the ambiguous lines of Ligeti's *Melodien* lucid and properly tantalising. In Haydn's D minor Symphony, no. 80, the Sinfonietta's muscular elegance paid dividends. By comparison, almost any big-band performance - such as Haydn could never have expected, until his later London seasons - would seem bland, or too comfortably inflated. The English Chamber Orchestra, the St. John's Orchestra and the Academy of St. Martin-in-the-Fields deserve some thrashing competition: the Docklands ensemble supplies just that.

David Murray

London Sinfonietta tours its musical high spots

In this 25th anniversary season, the London Sinfonietta is making a special point of re-visiting some of the 100-or-more works commissioned during its years of existence. The current series is, indeed, a succession of carefully timed self-back-pats - an entirely forgivable practice, after all, on the part of a musical ensemble whose record in stimulating lively, enjoyable new music has been so matchlessly crowded with success.

In the case of Tuesday's Queen Elizabeth Hall concert, conducted by Diego Masson, it also resulted in a programme full of bounty. The act of reviving past commissions, from Simon Bainbridge (the limpid, witty 1983 *Concertante in moto perpetuo*), Jonathan Lloyd (the zany yet richly substantial 1981 *Waiting for Gogo*), Mark-An-

thony Turnage (the punchy, sweet-sour 1985 *On All Pears*), Boulez (the luminous 1984 *Deuxième*) and Xenakis (the highly coloured and exotic 1984 *Thalies*) amounted to more than just a tour of Sinfonietta high-spots. It afforded an apt and refreshing reminder that the British modern-music scene of the 1980s was neither monolithic, exclusive, nor riven with doctrinal hostilities, and that it was capable of elating variety.

But the encouragement of the new is not being neglected: the anniversary series is dotted with premieres. On Tuesday it was Colin Matthews's *Contrapuntus* for 14 players, 12 tightly packed minutes in this composer's exhilarating new vein of hard-edged discourse. The title Matthews used for his BBC commission earlier this year,

Broken Symmetry, could sensibly have been used again to suggest the rhythmically pugnacious patterns set up, and the cross-currents of "voice" and timbre.

Different solo instruments emerge above the fray at different points in the unfolding act as a form of traffic-signalling. The personality of the Sinfonietta - both in its individual talents and their corporate combination - seems to have directly impinged on the bracing yet engaging character of the argument, not to mention the beautifully achieved climactic slowing toward reconciliation and repose.

Max Loppert

Queen Elizabeth Hall: last concert in the current series on December 8

Theatre in Dublin/Alannah Hopkin

Miller directs The Double Dealer

second option. Mellefont and Cynthia are about to be married, but not if Maskwell (who wants Cynthia) and Lady Touchwood (who lusts after her husband's heir and nephew Mellefont) have their way. Perilous to the plot, but essential for the plot, is that Mellefont, a "solon" and a "great coxcomb", is Sir Pliant, father of Cynthia and brother to Lady Touchwood, and his dominating second wife, Lady Pliant, plus Mellefont's friends, Careless and Brisk, the latter "a pert coxcomb". By now you will understand why there is a diagrammatic explanation of the

characters' relationships in the programme. The set, by Mark Bailey, consists of a charcoal grey paneled wall set well down stage - the "gallery" of Lord Touchwood's house rendered as a corridor, off which are four exits. The majority of the stage space is thus hidden from view, and serves as off stage apartments in which seductions and intrigues take place. The throne-like chairs at either edge of the set are seldom used. As the characters parade across the narrow strip of stage in their jewel coloured frock coats and hoop dresses, one is reminded of the famous "serpentine composition" of Hogarth's *Rakes Progress* and *Marriage à la Mode*.

It is a bold and refreshing approach, which eliminates the visual clichés of Restoration comedy, and exposes the sometimes creaking bones of Congreve's drama. It is also a disconcerting reminder that this play belongs to the same century as Webster's *Duchess of Malfi*. Initially the effect is exciting, but it soon wears off as characters busily enter and exit without leaving any strong impression. The laughs, and there are many in the reading of the first three acts, are very slow to come, and once one is accustomed to the staging things start to drag.

Stanley Townsend makes a plausible, even masterly villain of Maskwell. Michele Doherty in a flea infested wig is a delightful red wig, and Rosaleen Linehan is magnificent as Lady Pliant in the only performance that provokes spontaneous applause.

The rest are a lacklustre lot who do not seem to know what to make of the lines they are given. Jeannette Crowley acts her heart out in an embarrassing effort to make sense of Lady Touchwood, but we are none the wiser about her motives.

EXHIBITIONS GUIDE

ATHENS Beate Foundation for Contemporary Art Post Human: 36 international artists of the younger generation. Ends Feb 14.

BALTIMORE Museum of Art Icons of Modernism: 17 works by Van Gogh, Picasso, Cezanne, Chagall, Hopper and others. Ends Jan 17. Closed Mon and Tues.

BERLIN Neue Nationalgalerie Pablo Picasso: After Guernica. A major exhibition of 90 paintings, 60 drawings and ten sculptures representing his later work, with special focus on the 1950s. Ends Feb 21. Closed Mon.

WANNSEE-VILLA Max Liebermann (1847-1935): the German Impressionist's villa is the setting for an exhibition of 35 paintings, watercolours and drawings, many on show for the first time. Ends Dec 15. Closed Sun (tel. 805 3242).

MARTIN-GROPIUS-BAU America 1492-1992: a survey of American culture from Columbus' voyage of discovery to the present day. Ends Jan 3. Closed Mon.

NATIONALGALERIE Art in Germany 1905-37: more than 140 paintings and sculptures by Dix, Klee,

Munch and many others. Ends Jan 3. Closed Mon and Tues.

FRANKFURT Schirn Kunsthalle Edward Hopper (1892-1967): 160 paintings, watercolours and drawings by the realist painter of urban America. Ends Feb 14.

ALSO Gabriele Münter (1877-1962): most comprehensive retrospective yet of one of the foremost female artists in early 20th century Germany. Ends Feb 10. Daily.

SÜDEST Honoré Daumier: 120 drawings by the celebrated French 19th century cartoonist. Ends Jan 17. Also Emil Schumacher (p.1912): 60 paintings by the German abstract painter. Ends Jan 10. Daily.

JAHNHEIDERHALL Joan Miro: prints. Ends Jan 10. Daily.

HAMBURG Deichtorhallen The Elbe: A Course of Life. A portrait of one of Europe's great rivers from its source in Bohemia to its mouth at the North Sea, illustrating the history, art, economy and lifestyle of the peoples who surround and use it. Ends Jan 3. Closed Mon.

LEIPZIG Museum der bildenden Künste Ernst Ludwig Kirchner: 87 watercolours and drawings, many from private collections, covering the career of the German Expressionist painter. Ends Jan 31. Also Rolf Szymanski (b.1928): sculptures and drawings by the Leipzig-born artist now based in Berlin. Ends Jan 17. Closed Mon.

MADRID Museo de la Real Academia de Bellas Artes de San Fernando Goya: the decade of los Caprichos. The exhibition, covering 1792-1804, draws its title from his satirical engravings, included with preparatory sketches, portraits of friends and of the court aristocracy. Ends Jan 10. Fundación Juan March David Hockney: 76 paintings, photographs and drawings. Ends Dec 13. Daily.

MANCHESTER Museum of Modern Art Matisse. Ends Jan 12. Closed Wed (Admission by timed-entry tickets: call Ticketmaster 212-307 4545).

METROPOLITAN MUSEUM OF ART Royal City of Susa: Ancient Near Eastern Treasures in the Louvre. Ends March 7. Also Masterworks from Lillie: 100 paintings and drawings from the Renaissance to the 19th century, including celebrated works by Rubens, Goya, Delacroix, David, Courbet and others. Ends Jan 17. Closed Mon.

GUGGENHEIM MUSEUM Robert Rauschenberg, the early 1950s. Ends Jan 24. The SoHo site has the set of murals which Chagall painted for Moscow's Jewish Theatre in 1920. Ends Jan 17.

The main museum is closed on Thurs, the SoHo site on Tues.

WHITNEY MUSEUM OF AMERICAN ART Agnes Martin: 80th birthday retrospective. Ends Jan 31. Closed Mon.

PARIS Musée d'Art Moderne de la Ville de Paris Figures du Moderne: 450 works by Kandinsky, Franz Marc, Nolde and other Expressionists, showing the images which shook the German art world at the beginning of the century. Ends March 14. Closed Mon, late opening Wed (11 ave du Président Wilson).

MUSEE D'ORSEY Sisley. Ends Jan 31. Closed Mon, late opening Thurs (qual Anatole France).

LOUVRE Byzance: 400 ivories, silks, enamels, manuscripts, icons and goldsmiths' work showing the influence of Hellenistic, Christian and Imperial traditions in Byzantine art. Ends Feb 1. Closed Tues (Hill Napoleon).

ORANGERIE Les Nymphéas Avant et Après: the confrontation of Monet's waterlilies with other canvases by Delacroix or Jackson Pollock brings out their shared lyrical abstraction. Ends Jan 25. Closed Tues (place de la Concorde).

GRAND PALAIS Picasso et les Choccos. Ends Dec 28. Closed Tues, late opening Wed (ave du Général Eisenhower).

PETIT PALAIS French drawings of the 18th century, including works by Fragonard, Watteau and Vien. Ends Feb 14. Closed Mon (ave Winston Churchill).

GALERIE VALLOIS Szafar: a series of watercolours obsessed with

the themes of staircases and plants. Ends Jan 10. Closed Sun (38 rue de Seine).

GALERIE DIDIER IMBERT Fernando Botero: pastels, drawings, watercolours and small sculptures. Ends Jan 30. Closed Sun and Mon (19 ave Matignon).

STUTTGART Galerie der Stadt Camille Graeser (1892-1980): a century retrospective of the Swiss artist known in the 1940s and 1950s for the geometric construction of his paintings. Ends Jan 31. Closed Mon.

NEUE STAATSGALERIE August Kotsch (1836-1910): more than 80 photographs. Ends Jan 10. Closed Mon.

NATIONAL PORTRAIT GALLERY Rembrandt Peale (1778-1860): 75 paintings, with prints, drawings and correspondence, by a member of the distinguished American artist family. Ends Feb 7. Daily.

NATIONAL GALLERY OF ART The Greek Miracle: Classical Sculpture from the Fifth Century BC. Ends Feb 7. Also Ellsworth Kelly (1923): 40 paintings dating from his early years in France. Ends Jan 24. Early in the American Indian Frontier. Ends Jan 24. Daily.

NATIONAL MUSEUM OF AMERICAN ART Wayne Thibaud: hand-coloured prints. Ends Feb 15. Daily.

RENNICK GALLERY American Crafts: 120 objects spanning the development of functional and sculptural crafts in the 20th century. Ends Jan 24. Daily.



The Berlin Philharmonic Orchestra's programmes in coming weeks offer the clearest evidence of the transformation of its artistic horizons under Claudio Abbado. Before Abbado's arrival as music director in 1988, the BPO rarely ventured into modern music. His ideas are increasingly filtering through to the orchestra's concerts in the Philharmonie.

Next Wednesday, Abbado conducts the first of three programmes juxtaposing Beethoven piano concertos with contemporary orchestral works. The big audience draw is Maurizio Pollini playing the concertos. The contrast with works such as Ligeti's *Atmosphères* (1961), Lutoslawski's *Concerto for Oboe and Harp* (1980) and Wolfgang Rihm's *Bildes/Weglos* (1990/1) will be extreme. Abbado has

never played safe: he has regularly put his authority and musicianship at the service of 20th century music, and the gamble - in terms of generating interest among musicians and audiences - has almost always paid off. It will be instructive to hear the Berlin Philharmonic - steeped in the romantic tradition, renowned for its tone quality - tackling modern scores under a renowned interpreter.

For his end-of-year concerts (Dec 30 and 31), Abbado focuses on Richard Strauss - not a composer with whom he has been associated - before turning in January and February to the orchestra's traditional strengths of Beethoven and Brahms. Late February sees another unusual Abbado programme: he conducts seven works inspired by the German poet Hölderlin - by composers as diverse as Brahms, Strauss, Reger, Ligeti, Nono and Manzoni.

Amsterdam this month welcomes back Bernard Haitink - but not at the head of the Royal Concertgebouw Orchestra, with whom he served as chief conductor for more than a quarter-century. It is no secret that when Haitink resigned in 1988, relations were cool. His guest performances this month are with the Rotterdam Philharmonic (Dec 15, 20, 23, 27 in Rotterdam, Dec 18 and 25 in Amsterdam). The Royal Concertgebouw has finally been able to lure him back for three concerts in February.

McEwan

Welsh it role

FINANCIAL TIMES

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Friday December 4 1992

Fixing the EC budget

IF NEXT week's Edinburgh summit is to achieve its goals, an agreement on the European Community's budget must be reached. Of the complex questions on the agenda, the budget is the least insoluble. A two-pronged strategy is needed. In addition to an immediate compromise, a more radical programme of reform should be started, aimed at making the EC budget more redistributively rational and more economically effective.

If the current EC budget did not exist, nobody would dream of inventing it. The pattern of national contributions is the main problem. In 1992, Germany will provide two-thirds of the net budgetary contributions, the UK 22 per cent and France 11 per cent. Among the most important beneficiaries are not only Greece, Ireland and Spain, but also Denmark, Luxembourg and Belgium, some of the richest EC members. This is so despite the UK's controversial rebate.

The EC's role as a Robin Hood in reverse was not intended. The most important single reason for the outcome has been spending on the Common Agricultural Policy, which has fallen from 80 per cent of total spending in the 1950s to 58 per cent in 1991. It is expected to fall to less than 50 per cent by 1997, on the Commission's plans. But it will remain much the most important single category.

The pattern of spending is not the only problem. When the EC's "own resource" system was first introduced, it consisted of import duties and levies, along with a top-up element related to VAT. The distribution of revenue from import duties was particularly arbitrary, although this became less important as tariffs were lowered and the VAT contribution increased.

Perverse pattern

The EC has taken a pragmatic approach to remedying the absurdities. The perverse pattern of spending was remedied by the addition of new contributions, such as the regional fund, which was added in 1973, and structural funds for the poorer member countries. The package proposed by Mr Delors plans to increase structural funds still further, from Ecu18.6bn in 1992 to Ecu29.3bn in 1997. Within that proposal falls the cohesion fund, which is, in essence, a bribe for acceptance by the poorer member states of the Maastricht treaty's commitment to economic and monetary union.

Time bombs in the Balkans

THE ORGANISATION of Islamic Conference is not normally given to radical or shocking pronouncements. Communiqués from its ministerial meetings tend to reflect a careful consensus between its 50 diverse member states, and to sound rather bland. Thus when the organisation's foreign ministers met in the world's angry ultimatum involving the threat of military force, something unusually disturbing is clearly afoot.

That something is, of course, the Serbs' campaign of territorial aggrandisement and "ethnic cleansing" in Bosnia-Herzegovina, and the suffering of their mainly Moslem opponents. As this week's Jeddah meeting shows, dismay is by no means confined to Europe or the west; emotions are becoming inflamed throughout the Islamic world. That adds yet more tinder to the increasingly combustible mess that is the former Yugoslavia. Inevitably, it also brings outside powers one step closer to being sucked into the conflict. The only question is whether that involvement will come by mutual agreement under the auspices of the United Nations, or whether - as the OIC communiqué implies - individual countries will feel obliged to take matters into their own hands by arming or otherwise abetting the victims.

Things are not as simple as the Islamic foreign ministers would have us believe. Using force against Serbia - for example, in the form of selective bombing raids - will not stop what is largely a civil war in Bosnia, and certainly not in the next 44 days. Nor will it necessarily improve the lot of Bosnian Moslems.

Fitting response

Western nations do need to think again about how they might more effectively alleviate the tragedy, even if they cannot end it. Welcome as it is that countries such as Britain and France have sent troops to escort humanitarian relief convoys in Bosnia, it was never likely to be enough. As winter draws on and the prospect of mass starvation nears, a more

Revenue has been tinkered with as well. In 1989, for example, the VAT contribution was pegged at 1.4 per cent of the VAT base and another resource introduced, related to GNP. This was the first, cautious attempt to relate contributions to relative wealth. The Commission has now proposed that the VAT element be reduced and the GNP-related contribution increased from about a quarter of total revenue to 40-45 per cent.

Need for success

In addition to tinkering with the pattern of spending and revenue, the EC also imposed a specific ceiling on the budget in 1988. Currently set at 1.2 per cent of GNP, the dispute that will come to Edinburgh is over whether it should rise to 1.36 per cent of EC gross product by the end of 1997, as in the Commission's official proposal, or 1.32 per cent by 1998, which is Mr Delors' latest suggestion, or to 1.25 per cent by 1998, this being the much condemned proposal from the UK presidency.

These differences are not worth a breakdown, especially when the EC needs a success. Splitting the difference between the poorer countries and the richer ones must be the right answer. Meanwhile, a modest reduction in its rebate might be the UK's contribution to a successful outcome. Such pragmatism is not enough. The EC's budget needs more radical rethinking. In a valuable pamphlet for the Royal Institute of International Affairs, Sir Michael Franklin suggests a corrective mechanism designed to bring about an acceptable redistributive outcome. Given such a corrective mechanism, the UK would no longer be a special case. If there were a redistributive override in the budget, the EC's spending could also be focused where it would make a contribution additional to that of national exchequers. Spending that helps integrate the EC economy would be an obvious priority.

The Edinburgh summit must, first and foremost, split the difference between what the poorer countries demand and what the richer countries feel they can afford. But it needs more. The heads of government should commission a study that will suggest ways of eliminating the main anomalies in the present budget. The aim is clear: the budget must be made both more rationally redistributive and more demonstrably supportive of the wider economic goals of the EC.

Italy is on the verge of its biggest public-sector shake-up since the 1930s, when Mussolini first gave the state a dominant role in economic development.

The government of Prime Minister Giuliano Amato is planning the largest and most concentrated sell-off ever proposed in continental Europe. Over the next three years privatisation is expected to raise almost L40,000bn (£18.6bn). The figure could be higher if the planned sale of the state's property portfolio gets going soon, alongside a determined effort to clean up local government finances via the privatisation of many municipal services.

"Privatisation on this scale is like pulling away the central stone in the whole postwar politico-economic edifice," observed one official involved in the privatisation programme. "The political parties have relied on a large public sector to provide thousands of jobs, especially in the south," he added. State control of the economy has been a central element in permitting the political parties to trade patronage in return for votes, and run the public sector with political rather than economic objectives.

The privatisation process will begin with a radical reduction in the state's two-thirds control of the banking and financial system, especially that part owned by IRI, the giant state holding company. Within five years IRI, which generates 5 per cent of the country's gross domestic product, could cease to exist, having sold off its assets or turned its subsidiaries independent.

Sectors previously regarded as strategic and closed to private investment - including Alitalia, the national airline, ENEL, the electricity authority, and ENI, the state oil concern - will be partly sold off.

Loss-making state activities in fertilisers, chemicals and ship-building are threatened with closure if no buyers can be found.

Those with most to lose in the privatisation process are at the core of the present four-party coalition: the long-ruling Christian Democrats and Socialists. They are being asked to commit a form of *hara-kiri* since patronage has been the main element of their traditional power.

But privatisation also represents a challenge to business and industry in four main areas: ● Italy needs to create more large-scale companies. The strong state presence throughout the economy has prevented the proliferation of large industrial groups, which can compete internationally. Only four private groups employ more than 30,000 people (Fiat, Ferruzzi-Montedison, Olivetti and Pirelli), an exceptionally small number for the world's fifth industrial power.

● Italy must drop its long-standing mistrust of foreign capital if privatisation is to succeed. No other EC member has maintained such strong barriers against the entry of foreign capital. Domestic investment at best can cover only half the amount expected to be raised by privatisation.

● A revolution has to occur in Italian savings habits. A combination of security, high returns and anonymity for the investor has made Treasury paper the most attractive savings instrument for both the rich and the small saver. The high demand for Treasury bills (Bots) and the risks of investing on the stock exchange have restricted the Milan bourse. Trading volume in relation to gross domestic product is half that of France and a quarter that of the UK. The so-called Bot people have to be persuaded to jump ship and put their money into

the shares of privatised companies. Equally, the public-sector deficit has to be cut to lessen the Treasury's need to produce such seductive borrowing instruments. ● Job security and high redundancy payments conceded by successive governments to a powerful trade union movement must make way for a more flexible labour policy. Otherwise the much-needed rationalisation of the workforce in the companies due to be privatised cannot take place. The unions talk of 150,000 jobs being at risk; depressed regions such as Sardinia and Sicily are likely to be among the worst affected.

The proposals on privatisation, which parliament began to debate this week, address all these issues, although the government's intentions regarding job losses and plant closures remain ambiguous. The programme - set forth in a 107-page outline, a Treasury green book and four volumes of appendices running to 2,000 pages - has been prepared in three months. This was an extraordinary achievement by the dilatory standards of Italian government, especially since the Treasury has been at the centre of preparing the 1993 budget and coping with the currency problems.

Parliament has undertaken to formulate a response by December 15. The response will not be binding, since the proposals are consultative; but the coalition could be brought down if it tried to go it alone in the face of strong parliamentary opposition from those who see the privatisation programme as a vote-loser. "It is going to be a tough battle," observes Mr Piero Barucci, the Treasury minister.

Roman road to privatisation

The Italian government faces a bruising battle as parliament begins debate on its sell-off proposals, says Robert Graham



but the coalition could be brought down if it tried to go it alone in the face of strong parliamentary opposition from those who see the privatisation programme as a vote-loser.

"It is going to be a tough battle," observes Mr Piero Barucci, the Treasury minister.

In preparation for this battle, Mr Amato has subtly moved the goalposts - not once but several times. He began his five-month-long game of political survival by persuading the politicians that Italy's international credibility and the stability of the lira depended on their endorsement of an emergency budget. Next he said credibility rested on their approval for the 1993 budget and their support for structural reform of pensions, public health, the civil service and local government. Now his message is that privatisation is the only way to rescue the disastrous state of Italy's public finances, and thus it is necessary to the country's continued credibility. He also warns that failure to back the plan could force the resignation of the government, lead to a collapse of the lira and raise the spectre of hyperinflation.

The underlying goals of privatisation are to increase competitiveness, and subsidies, raise cash and broaden the scope of private ownership. However, the government

believes the state should retain control in areas such as energy and advanced technology, which require long lead times on investment, or where strong socio-economic considerations in depressed areas prevail. For instance, IRI's Finmeccanica is set to become a publicly quoted company with a controlling state stake to guarantee Italy has a presence in advanced engineering and information technology.

In practice, necessity is the overriding philosophy. The immediate cash requirements of the Treasury and the deteriorating financial health of most state-run enterprises have made raising money paramount. Despite unprecedented austerity measures, the budget deficit next year will be more than 11 per cent of GDP - nearly triple the European Community average. Even if the EC permitted state funding of loss-making industries and continued high subsidies, the state cannot add to Italy's accumulated debt, equivalent to 104 per cent of GDP. Meanwhile, the combined debts of those companies targeted for privatisation or rationalisation amount to L140,000bn.

Privatisation will begin with banking and financial assets which offer high returns and require the least preparation to sell. The previous Andreotti government made tentative steps in privatising this sector. Credito, the Treasury-controlled

long-term lending bank, was sold earlier this year for L2,000bn to San Paolo di Torino, one of Italy's largest banks, and the Treasury's 50 per cent stake in IMI, the financial services group, is due to be sold for L4,000bn, principally to Cariplo, the Milan savings bank.

The Amato government, in contrast to its predecessor, has made a stronger commitment to banking's privatisation, deciding that the state should no longer dominate the sector. It has paved the way for a broader sell-off by converting IRI, ENI, ENEL and INA, the insurance institute, into publicly quoted companies owned by the Treasury.

The initial proposal, put forward in July by Mr Giuseppe Guarino, the industry minister, was to reorganise state assets into two "super-holdings" - one involving financial assets, the other industrial and energy assets - as a preliminary step toward privatisation. This approach was quickly dropped as being financially clumsy.

The government has since clarified its ideas and pushed Mr Guarino to the sidelines. In the case of IRI, the holding will keep the proceeds and the responsibility rests on the management to raise funds. No formal limit has been fixed on the dilution of state control in any company. Pending parliamentary advice, the process will be monitored either by a special commissioner or a four-person technical commission.

INA will be sold off soon as possible. Its sale would unravel many of the incestuous links within the old system. IRI, for instance, rents its Rome headquarters from INA at a cheap rate; INA has an 18 per cent stake in Banca Nazionale del Lavoro, the Treasury-controlled commercial bank, and is reluctant to contribute to the L2,500bn to L3,000bn of new capital required by ENI in the wake of Iraq loans scandal at its Atlanta branch.

The commercial banks in IRI's portfolio - Credito (67 per cent owned), Comit (55 per cent) and Banca di Roma (35 per cent) - will be sold off in two years. With debts of L70,000bn and projected 1992 losses of at least L2,000bn, IRI is expected to proceed with the immediate sell-off of companies in SME, its foodstuffs, manufacturing and distribution conglomerates, plus parts of its telecommunications business. At the other end of the scale, IRI must find ways to cut losses in steel (ILVA), civil engineering (Iribene) and shipbuilding (Fincantieri). IRI will retain the proceeds from any asset sales.

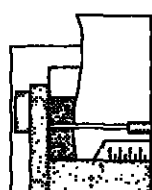
All proceeds from non-IRI asset sales are due to go to the Treasury, raising L37,000bn in the next three years. ENI is expected to sell non-core businesses, such as Agip coal, Nuovo Pignone, the turbines company whose planned privatisation was announced in September, and parts of its chemicals interests. Strategic assets such as Agip's oil operations are to be floated on the bourse. ENEL, much eyed by foreign investors, has been given up to two years to prepare for flotation, largely because electricity tariffs are currently frozen.

These are ambitious plans at a time of recession, a free-floating lira and international financial uncertainty. The political establishment may well endorse the privatisation programme, though the programme itself is likely to move more slowly than projected. But the government risks seeing the most profitable state companies moving into the private sector, while it becomes saddled with the loss-makers.

PERSONAL VIEW

Why France is afraid

By Allan Buckwell and Veronique Courbois



The recent EC-US compromise on the agricultural elements of the Uruguay round of the General Agreement on Tariffs and Trade has provoked a strong French response. German Chancellor Helmut Kohl took a conciliatory line when faced with the possibility of a French veto. He advised us to try to understand the French problems with the proposed settlement.

What are the problems? Are French fears justified? What are the relative effects of the reforms of the Common Agricultural Policy, to which the French government acceded this summer, and the demands of the Gatt proposals?

It is first worth mentioning some fundamental features of French political economy and culture. In France, free trade is viewed as an Anglo-Saxon convenience which, from time to time, serves the interests of the UK and the US. Postwar French-US relations have often been characterised by mutual mistrust and French resistance to American hegemony. This creates a potent mix when it is combined with food and agriculture, the core of much French culture.

Specific fears aroused by the Gatt settlement concern the threat to exports of farm products, the incomes of farmers and the future of rural communities. The most difficult part for France seems to be the requirement that the volume of subsidised exports be cut by 21 per cent in 1993-1999. France is the world's second largest agricultural exporter, this trade accounting for 12.7 per cent of its total exports. The farm products benefiting most from export subsidies are cereals, sugar and dairy products. These account for 40 per cent of agricultural

exports. The potential loss of exports is thus about 1 per cent (21 per cent of 40 per cent of 12.7 per cent) of the total over a six-year period. While no doubt unwelcome to those involved, this does not seem a large threat to the economy. The three main elements of the Gatt settlement (reducing subsidised exports and domestic supports and improving import access) will decrease the prices to farmers and lower their gross incomes. During the 1970s average farmers' incomes declined. Most of this loss was recovered during the 1980s, during which average farm incomes rose 25 per cent. However, compared with real income growth for the rest of the population, farm incomes have fallen behind. The policy changes induced by the Gatt will thus not alter a long-established trend.

Given time, farmers will adjust their production patterns, using fewer inputs, such as fertilisers, machinery and so on, and redeploying resources to products least affected by reforms. Purchased input prices will be reduced as suppliers find themselves in a declining market. Land prices and rents will also adjust downwards. Agriculture will continue to shed labour but not, in absolute terms, as much as over the last three decades.

Significant relief is provided in the policy measures agreed in this year's reform of the CAP. This will reduce support prices in the cereals, oilseeds sector by 29 per cent and cut production of larger producers through a 15 per cent set-aside of arable land. This harsh treatment was made palatable by the introduction of area payments, which will more than compensate many farmers, particularly the small and less productive ones, for their loss of revenue. Calculations by Insee, the French statistical institute, demonstrate that the effect of the CAP

reform is to increase farmers' incomes by 7 per cent compared with what they would have been under the existing CAP regime.

The Gatt agreement offers no additional direct threat to farm incomes. However, it does represent an attack on the use of subsidies to assist exports. From a French point of view, this is an assault on agriculture and its right to produce.

The expression of this concern at the political level covers the relative severity on production levels of the Gatt settlement and the CAP reform. Analyses demonstrate that the price cuts contained in the CAP reform, which encourage additional consumption of cereals and reduce production intensity, coupled with the set-aside, will meet the required fall in export volume. Thus for cereals, at least, the CAP reform was the tougher medicine.

Why is it that the French government accepted CAP reform, yet rejects the apparently softer Gatt settlement? The answer is partly political - a change of minister and an attempt to extract more Community compensation for French farmers - and partly a signal that extension of CAP reform to the, as yet largely unreformed dairy, sugar and wine sectors will be resisted.

However, agriculture is not the only economic activity nor the only subject in Gatt. France is the world's second largest exporter of services and intellectual property. Liberalisation of trade in services and better rules and disciplines in intellectual property offer significant economic gains, which will far outweigh the losses in agriculture. The French government has more work to do to persuade the nation of this and to find acceptable ways to compensate farmers for their loss. The authors are professor and lecturer at Wye College, University of London.

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Joe Rogaly

Survival will suffice

John Major can claim success at Edinburgh if he can somehow achieve a non-disaster



There is little practical value in high and mighty deliberations about Britain's aims for the European Community summit in Edinburgh next week. This is not an occasion for lofty thoughts. We need not consider the destiny of a continent whose rhetoric about ever-closer unity is tempered by a resurgence of nationalism. Another time will do for all that. The prime minister holds the presidency of the European Council for a few more weeks. The government's hopes are high, but its confidence is low, or at least it wants people to think that it is. It dreams of glory, but what it really seeks is survival.

Survival? If the summit is not a flop, if it is merely another ho-hum meeting in a long series of such confabulations, that will be all right. The remaining shreds of Mr John Major's credibility could survive such an experience. If it ends in pandemonium, let the proximate cause be a fault committed by a continental country or group of countries. Britain must not be the guilty party. A continued show of willingness to be European can at least enable the government to say that it has kept itself "at the heart of Europe".

In short, survival may be all that is required. No one can tell whether the EC is merely in the throes of one of its characteristic crises or whether it is beginning to fall apart. That is for history to determine. What the prime minister can ensure is that the British are involved in multilateral discussions whenever they take place. We must always be participants, and when possible equal partners. That is the principal aim of Mr Major's European policy. It need not be jeopardised at Edinburgh.

Even with such a limited horizon, it is tempting to regard the prospect for next week with a dismal eye. Everything is in place for what might turn out to be a bad-tempered ending to a British presidency whose tendency to fall on its nether end is well known. The British are suffering from a lack of confidence, a lack of confidence in the British government. Yet it would be a mistake to take negative speculation too far. Governments always talk down summits in the weeks before they are held.

Mr Major, who has not enjoyed a happy autumn, is, as ever, fighting for his political life. He greatly needs some demonstration of success, or at least non-failure. Almost anything will do. An agreement on the Danish question, the budget and subsidiarity would constitute a success, even if enlargement of the Community, an anti-racism programme and France's doubts about the Gatt agreement were



set aside for another day. Yesterday's ingenious proposals for Denmark are promising. *Flin-flam* on subsidiarity should be possible. An intimation of "progress" on the budget is achievable. If some of that is available a flat communiqué that solves few problems might be the least-worst outcome. On most issues, broad statements of good intent, accompanied by timetabled schemes for working out the details, might be just enough. The key is to make the hand-

Perhaps he has studied the literature. He behaves like an archetypal student of Getting to Yes. The chapter headings of that classic 1980s volume by Roger Fisher and William Ury suggest Major-like responses. I recommend "What If They Won't Play?" and "What If They Use Dirty Tricks?" as well as "What If They Are More Powerful?" (answer: "develop your BATNA - Best Alternative to a Negotiated Agreement"). It is this self-disciplined and personable

The key is to make the British handover to the Danish presidency of the EC look respectable

over to the Danish presidency look respectable. Such an outcome need not be a disaster. With a little bit of luck, the prime minister can achieve a non-disaster. Quite possibly, he can do better. He has spent the best part of a fortnight travelling around the EC, his hand out-thrust, his straight-in-your-face friendly smile to the fore, looking for deals. This is what Mr Major is good at. He is a tactful politician, not unlike many American counterparts. When he is really fed up with you, he puts a hand on your shoulder and looks you in the eye. He would have made a brilliant commercial traveller.

John Major who bartered for the best available deal at Maastricht a year ago. It is this same prime minister whose telephone diplomacy helped get the Gatt talks re-started following their dramatic breakdown last month. This is the man who cajoled the Queen into realising that she had better volunteer to pay taxes. He is good at business relationships, and a dedicated ferret in search of the other side's bargaining strengths and weaknesses. These carefully nurtured skills have been of little use against the storms of 1992. No amount of charm could dis-

guise the fact that by voting No in the summer the Danes may have scuppered the Maastricht treaty. A warm handshake could not cure the almost fatal shock of last Wednesday. Pleas and salesmanship may have helped the prime minister win over a few recalcitrant backbenchers at the end of the recent paving debate on the bill to ratify the treaty, but it was not enough. In the end Mr Major had to fall back on his BATNA: he conceded that Britain's parliament would not take a final vote on Maastricht until after the second Danish referendum. The debate on the bill in the commons this week was purely symbolic.

All of this has soured the atmosphere at EC meetings. French, Dutch and German criticisms of Britain's presidency have not been mere negotiating ploys; some appear to be heartfelt. There is still a likelihood that at their private pre-summit meeting President Mitterrand and Chancellor Kohl (neither of whom have enjoyed recent sales calls from Mr Major) will devise a joint approach to Edinburgh that spoils Mr Major's party. The prime minister's pressing of the German flesh has paid dividends in the past; its effect will be put to the test again next week. He may be fortunate. It is in the German interest to prevent a British humiliation.

What is missing from all of this is a sense of positive purpose. The government is no different from most of its predecessors in wanting to see what its continental partners are doing in order to put a stop to it. Opinion at the centre of the Conservative party is little different from its counterpart of 30 years ago, when many Tories could not understand why we needed anything more than a European free trade area. Mr Major developed a second line of argument after Maastricht: that the treaty represented the start of a turn away from central control and towards a Europe of nations.

This is a reflection of reality. Whatever the aspirations of Euro-federalists, in practice the fundamental interests of member states are rarely overridden. The Commission's powers have been increased because of the single market. The government needs to develop proposals based on this foundation. Perhaps in the balmy days after the presidency is laid down it will learn to argue convincingly for such a Europe, such an Efta-plus. That is, as Mr Kohl has perceived, the most the British will accept. For all their fine words, it is clearly the most the French will put up with, the exception being proposals for stronger ties to Germany. Efta-plus is Germany's outer limit beyond its Dark Zone. It is there that the Tories are most likely to seek a Europe they can live with.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Telephone competition still lacking

From Mr Kenneth P. Armitage

Sir, In response to a Mercury Communications initiative to promote competition by offering cheaper calls to domestic users ("Competition cuts phone charges", December 2) BT proposes to freeze the net of UK calls but increase the cost of line rental charges, just like last year, by 10p or some 7 per cent per week, well above the rate of inflation. Thus an increase in line rental charges will ensure that BT increases its revenue whether the network is being used or not and regardless of whether the service is improved.

Large organisations, those which make the most use of telecommunication networks, will see some overall reduction in expenditure; however, residential customers, who use the network far less frequently, will see an increase in their bills, even before VAT.

Surely if I use a service or a facility more than my neighbour I should expect to have to pay more for that service than my neighbour. The need for more competition in UK telecommunications is becoming increasingly essential. Kenneth Armitage, 29 Stoneham Close, Petersfield, Hants GU22 3BX

Cadbury offers institutions a route to responsible ownership

From Mr John Mackson

Sir, Your leader on the Cadbury report ("Cadbury's code", December 2) questions whether the new code will "adequately fill the proprietorial gap which has resulted from the growth of impersonal institutional share ownership". The prevailing view of institutional ownership as impersonal is an odd one. The progressive concentration of equity ownership into the hands of a small number of investing institutions may not be to everyone's taste but it does at least permit management to maintain a regular and businesslike dialogue with the personal representatives of the organisations that control their company.

The proprietorial gap surely

yawned rather wider when the share registers of British companies were dominated by legions of private investors whose personal relationship with management was confined to conversations over tea and a bun at the annual meeting.

It is precisely because of the growth in their collective ownership that institutional shareholders have found an effective voice to press for the changes outlined in the Cadbury report. To argue that the "whole emphasis on non-executive directors largely reflects the unwillingness of fund managers to take a direct proprietorial role" misses the essential point.

The enhanced status of non-

executives results in large measure from the determination of those same fund managers to see their interests represented in the boardroom.

Non-executives, while operating within the structure of a unitary board, are potentially the most direct and powerful conduit of institutional opinion to executive management.

The recommendations of the Cadbury report will not, if properly implemented, offer an alternative to responsible institutional ownership but rather a mechanism through which that responsibility can be exercised.

John Mackson, Mackson Consult, 16-18 St John's Lane, London EC1M 4DS

Better a small spread and a round of golf

From Mr Mark Hull

Sir, Thirty years ago, when inflation and interest rates were last at today's sort of levels, local building society managers ran their businesses on a "5-4-3" rule: lend money for mortgages at 5 per cent, borrow it at 4 per cent, and then be on the golf course by 3 o'clock.

Now, though, my building society's mortgage rate is 8.3

per cent, and it borrows money from me at 5.5 per cent gross. This is a spread of 3 points, compared with one percentage point 30 years ago. Have building societies become three times as efficient as they were more than a generation ago? Are these the true economies of scale from all those amalgamations of small building societies? Or is this the true cost of automating cash dis-

pensing and the back room operations? Can any of your correspondents think of a similar industry where "progress" has been so costly to the public?

Personally I'd prefer a 1-point spread and my manager on the golf course at 3 o'clock. Mark Hull, 10 Oakthorpe Road, Summertown, Oxford, OX2 7BE

Effects of European law on contracting for public services

From Mr John McMullen

Sir, I wonder if I may contribute to the debate in your letters column on employees' rights in respect of contracting for public services.

There are two main issues on which the applicability of the Transfer of Undertakings (Protection of Employment) Regulations 1981 (TUPE) to contracting-out situations have traditionally depended.

First, the TUPE regulations were drawn to exclude transfers of non-commercial ventures. The European Court in *Dr Sophie Redmond Stichting v Bartol* has, however, ruled that there is no such exclusion under European law (Directive 77/187). In appropriate cases a tribunal may be invited to apply European law. And, in

any event, the government has provided in the Trade Union Reform and Employment Rights Bill for the abolition of the requirement of a commercial venture. This obstacle for employees will therefore shortly cease to be a problem.

The second issue, however, is that TUPE requires a transfer of an undertaking or part. According to the European Court this means there must be an economic entity (whether or not commercial in nature) which has retained its identity, before the legislation can apply. In some cases of contracting out of ancillary services (whether in the private sector or the public sector) what is granted to the contractor amounts, by contrast, to nothing more than a contract

for services. However, quite clearly, each case depends on its own facts. There will be many situations where, on contracting out, an employee's rights are transferred under the legislation.

Perhaps the latest example is the European Court case of *Rask v ISS Kantineservice* (Case C208/91) in which the advocate general delivered an opinion, only this October, that Directive 77/187 is perfectly capable of applying to the contracting out of a staff canteen facility from an employer to a contractor. The sole question for the national court being, in his view, whether the undertaking's identity has been maintained.

It is therefore far from clear that, as Mr Forsyth states in

his letter (November 30), "there is not normally a transfer of an undertaking" in the context of compulsory competitive tendering legislation. It entirely depends on how the activity has been structured and the nature of the contract given to the contractor.

The position of parties involved in contracting is therefore at best uncertain and will continue to be so until a sequence of illustrative cases passes through the courts taking into account the recent European Court decisions mentioned.

John McMullen, partner and head of employment law, Simpson Currie, 41 Park Square, Leeds LS1 2NS

OBSERVER

Lung arm of the law

■ Is next year's French Grand Prix about to go up in smoke? The answer, breathlessly awaited by not only motor-racing interests but tobacco companies, is due next Tuesday from an appeal court in Rennes.

Directly at stake is almost £4m imposed in fines on Renault and the Williams grand prix team for breaking France's strict French law against tobacco advertising on television. The ruling, against which they have appealed, was made by a court in the small western town of Quimper.

But the fate of the 1993 Grand Prix also hangs on the Rennes court's decision. The French motor-racing authority's president, Jean-Marie Balestre, has said no attempt will be made to organise the race unless the appeal is upheld, with a pronouncement exempting racing teams carrying such advertising from punishment.

Although the law is scheduled to be toughened further on January 1, a measure of its present strictness is that the Williams team's transgressions did not take place in France. It was fined \$300,000 for entering cars bearing Camel cigarette logos in the Japanese Grand Prix, knowing the race would be shown on French screens. Then another \$2m was added for a repeat occurrence in the equivalent event in Australia last month. France's national TV company, TFI, faces court action for televising the races.

Moreover the same anti-tobacco crusaders who filed suit against Renault and Williams have won a similar ruling from the same Quimper court against Citroën and Mitsubishi for similar offences

in the similarly televised Paris-Peking rally.

As for next week's appeal, the British team's head Frank Williams says he's confident of winning. If the decision goes the other way, however, the reverberations could spread far beyond motor-racing. For example, given any further economy measure in Britain's seagoing forces, newspapers selling in France might be wise to avoid headlining the story "Navy cut."

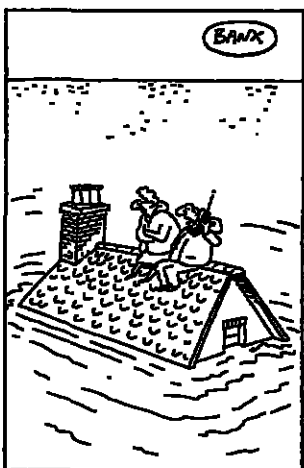
Welsh players

■ Time to place your bets on the likely successor to the Welsh Development Agency's current chairman Gwyn Jones, who has surprised everyone by celebrating his 44th birthday with the announcement that he is quitting one of the most powerful jobs in Wales.

Much fancied to replace him is geologist Roy Bichan, whose North Wales geology group, Robertson, was taken over by Simon Engineering last year. Strength: a successful businessman. Weakness: an Orcadian by birth, Leeds by training. Welsh only by adoption.

Contrariwise, Welsh by birth albeit English by adoption is surveyor Sir Idris Pearce, chairman of English Estates now about to be absorbed into the Urban Regeneration Agency. The fact that he'll be deputy chairman there to former secretary for Wales Lord Walker must be seen a strength. So must Pearce's closeness to the Tories.

Another similarly close is Cardiff's Thomas "the Insurance", who sold his business for mega-money to Sedgwick Jackson. Bonus point: Brian Thomas served as electioneering chauffeur to present secretary for Wales David Hunt, who has just put him on the board of another



"I'll cancel the milk"

quango supervising the development of Cardiff Bay. Far more an outsider is Gareth Davies, boss of Midlands engineers Glynwed. While his political form isn't known, he is Welsh-born and has a clutch of non-executive directorships. Moreover an agency insider has been heard to say: "What we need is someone with investment links, access to cash and knowledge of how international business works." Gareth Davies could fit the bill.

Recalled

■ Good to see Gordon Waddell - former rugby international, progressive South African politician and Anglo-American high-flyer - get a proper job at last. It is five years since he quit South Africa and the chairmanship of Johannesburg Consolidated Investment Company, better known to old mining hands as "Johnie".

Although Waddell, now 55, was married to Harry Oppenheimer's daughter for a while, his rise up the Anglo empire was due to his undoubted business prowess.

Hence it has been rather surprising that he has kept such a low profile since returning to the UK. Apart from a non-executive directorship of Canary Wharf and an investment trust, his only other interest was a tiny company on the USM. The chairmanship of Shanks & McEwan should give him something to get his teeth into at last.

Who knows, he might even turn it into Britain's answer to America's Waste Management Inc?

China syndrome

■ Everything seems to be going wrong at once in Hong Kong. Relations between China and the UK are rock-bottom. Governor Chris Patten seems to have lost his deft political touch, and the Hong Kong stock market is nose diving.

The Hong Kong Jockey Club - that bastion of colonial plutocrats - has been forced to cancel the remaining eight of this year's racing fixtures due to an epidemic of herpes among the horses that is. And finally, China's People's Liberation Army has just finished practicing its military manoeuvres in Guangdong province next door to Hong Kong. The name of the exercise: Catch the Eagle.

The word for eagle is pronounced "ying" in the Cantonese dialect. The word for England, though a different diagraph, is also pronounced "ying".

Its meaning was not lost on Hong Kong.

Rainy day

■ When the weather's wet, how do you know which car drivers are Scots?

They're the ones who switch off their windscreen wipers as they go under bridges.

640,000* French decision-makers always start the day with a full breakfast.

Among the many fine table traditions enjoyed in France, one is particularly suited to the taste of French decision-makers: *les Echos*, France's leading business newspaper.

The results of the 1991 European Business Readership Survey (EBRS) speak for themselves: *les Echos* is read by 61.4% of the country's top managers, who also put their trust in *Enjeux les Echos*, the group's monthly magazine. So whether you have a product to sell or you wish to raise your company's profile, now you know the best way to reach French executives in the morning, beside their croissants.

les Echos
Le Business Daily

INTERNATIONAL COMPANIES AND FINANCE

Grand Met profits slip to £902m on weak US sales

By Philip Rawsthorne
in London

GRAND METROPOLITAN, the UK food, drinks and retailing group, yesterday reported a 5.1 per cent fall in full-year pre-tax profits to £902m (£1.3bn).

Strong gains from the IDV drinks division - which accounted for more than half the group's trading profits - were offset by reduced earnings from the Pillsbury and Green Giant food operations.

A combination of weak consumer demand, a glut of vegetables and pricing pressures hit the North American food market in the late summer, causing a sharp downturn in dollar sales. "However, we believe the worst is now behind us," said Sir Allen Sheppard, chairman and chief executive.

"We are cautiously optimistic about the year ahead," he added. "At present, evidence of early economic recovery is

sparse, but we are encouraged by current reports from the US. We expect overall market improvement progressively through 1993, though it may be the second half before we see any major benefit to our businesses."

Property and other exceptional items were £50m lower than last year, contributing to the fall in taxable profits.

Earnings per share declined 7.1 per cent to 30.1p, but a final dividend of 7.7p raised the total payment to 12.2p, an increase of 8.4 per cent.

Group trading profit fell 7.6 per cent to £982m on turnover down from £8.75bn to £7.9bn. Overall food division profits of £210m were 16.3 per cent lower on marginally higher turnover of £2.63bn.

The difficulties in the US market cut North American profits from £121m to £181m. European operations recorded a 23.7 per cent fall to £29m, as investment continued in the

expansion of Pillsbury and Häagen-Dazs.

Drinks profits increased 13 per cent to £509m on turnover £430m ahead at £2.86bn. Volume growth was helped by acquisitions of brands such as Cinzano, and increased control of distribution.

Retail trading profits were flat at £220m. Burger King, with growth of 9 per cent, accounted for £137m of the total.

The Pearle eye care chain recorded a loss of £18m, though "a material improvement" showed in the second half.

GrandMet's share of operating losses in the Intrepreneur pub joint venture with Courage amounted to £14m.

The group also had to write down £117m against reserves after a revaluation of Intrepreneur's estate, and to inject £33m cash to comply with banking covenants.

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Daf shares dive as shake-up planned

By John Griffiths in London

SHARES in Daf, the Dutch truckmaker, touched a new low yesterday as it admitted that further retrenchments would be made.

The shares sank to Fl 5.40, down Fl 0.50 from Wednesday's close, before being suspended briefly ahead of a joint statement by the company and its unions. They recovered to close steady at Fl 6.20, compared with a high for the year of Fl 26.90.

DAF, which also controls the former Leyland truck and van-making operations in the UK, gave no details of the planned restructuring and job losses.

Daf's UK plants have taken the brunt of the previous job losses. But with the UK commercial vehicle market having stabilised, and some key continental European markets now turning down, it is expected that the main focus of job-cutting will shift to DAF's Dutch and Belgian facilities.

In a further bid to reassure markets, yesterday's statement also declared that long-running negotiations with its banks and the Dutch and Belgian government on additional state-guaranteed credits of Fl 210m should soon reach a "positive" conclusion.

Daf has said it would have to defer payment of a dividend this year on an issue of preference shares made a year ago to raise Fl 250m to strengthen its finances.

Paramount plans Italian chain

By Haig Simonian in Milan

PARAMOUNT, the US entertainment group, is to invest \$250m in a new multi-screen cinema chain in Italy, following the success of similar ventures in the US and the UK.

The new scheme will be a joint venture between UCI Europe, a Paramount cinema subsidiary, and Situr, the parent company of Italy's Valtur tourism and hotels group.

UAP fights for a bridgehead

Alice Rawsthorne reports on the French insurer's foray into Germany

AT first glance, the announcement on Wednesday that Union des Assurances de Paris, the biggest single French insurer, was buying a minority stake in Nordstern of Germany from the Winterthur group looks like an ordinary business transaction.

UAP has made no secret of its ambitions of expanding into Germany, and Nordstern is an attractive vehicle. Moreover, the deal, whereby UAP cedes 3 per cent of its equity to Winterthur for 37.4 per cent of Nordstern, seems reasonably priced and should not dilute UAP's earnings.

But there is a hidden agenda. Nordstern is the latest offensive in UAP's increasingly bitter battle with Suez, the French holding company that controls Nordstern through Colonia, the German insurer which UAP has long hoped will be its bridgehead into Germany.

Last week, Suez scuppered UAP's hopes by breaking off its long-running negotiations over Colonia.

Mr Jean Peyreleade, UAP chairman whose high standing in French financial circles could be imperilled if he cannot clinch the Colonia deal, has described the Nordstern deal as part of his "friendly chess match" with Suez.

The European insurance



Jean Peyreleade: standing could be imperilled

industry is now waiting to see whether "friendly" the rest of the game will be.

The chess match began three years ago when UAP paid FF14.3bn (\$2.65bn) for 34 per cent of Victoire, a French insurer controlled by Suez, which had bought it for FF12.5bn. UAP then tried to swap its Victoire shares for part of the latter's controlling stake in Colonia.

The transaction, or so Mr Peyreleade hoped, would be eased by his own connections with Suez, which he chaired for three years until 1986, and with Mr Gérard Worms, its current chairman whom

he had hired in 1984.

But UAP's only bargaining tool was a minority holding in Victoire, which was of little value to Suez given that it already controlled the company. Moreover, as Mr Worms was well aware, the French financial community saw the Colonia affair as a test of his influence over Suez and of his independence from his old patron.

Mr Peyreleade was in an even trickier position. UAP is state-controlled and its chairman is chosen by the French government. He is a socialist appointee who could lose his job if the Right returns to power in next March's elections. He really needs to clinch Colonia before March.

Only eight days ago he seemed to have succeeded. Suez was poised to approve UAP's offer of all its Victoire shares plus FF1.5bn in return for a controlling 50 per cent stake in a new holding company which would own Victoire's majority stake in Colonia.

But Suez held out. It wanted another FF1.5bn. "Suez is smart," said Mr Michael Buttner, insurance analyst at Banque Nationale de Paris. "It knows UAP is desperate and has seized its chance to raise the price."

Mr Peyreleade needs to

bring Mr Worms back to the negotiating table. Nordstern is his latest ploy. It provided roughly two-thirds of Colonia's profits last year, with net profits of FF300m on sales of FF1.9bn. UAP could try to use its minority holding to block Suez's strategy, notably its plan to merge the administration of Nordstern and Colonia.

It remains to be seen how influential UAP will be. Winterthur failed in its legal attempt to scupper the merger. "Maybe this will give UAP a little more leverage over Colonia, but Nordstern is a very small piece in the jigsaw," said Mr Derek Elias, insurance analyst at Paribas.

Most analysts suspect UAP will be forced to resort to another ploy - threatening to raise its 6.3 per cent stake (with 10 per cent voting rights) in Suez. Mr Peyreleade has squashed speculation about an outright bid, but UAP said guardedly that it did "not intend to substantially raise" its stake.

Mr Peyreleade must now be pondering his next move in the chess game. "Anything could happen," said one analyst. "All we can be sure of is that he does not want to be remembered as the man who spent FF14.3bn for nothing."

Dutch financial group up 6%

By Ronald van de Krol
in Amsterdam

INTERNATIONALE Nederlanden Group, the Dutch financial services company, said net profit in the first nine months of 1992 rose by 6.6 per cent. Insurance results showed little change, but banking posted an increase of more than 9 per cent.

Net profit in the first three quarters increased to Fl 1.14bn (\$630m) from Fl 1.07bn, on turnover up 3.4 per cent at Fl 35.4bn.

ING gave no figures for the third quarter alone, but a comparison of the latest results with half-year figures shows that third-quarter net profit was up 5.5 per cent at Fl 396m against Fl 368m a year earlier.

Pre-tax results in insurance were virtually flat at Fl 774m in the first nine months, an increase of 0.3 per cent from Fl 772m a year earlier.

Life insurance and non-life insurance both showed improved results, but reinsurance swung into the red with a

loss of Fl 12m compared with a profit of Fl 29m a year earlier. ING blamed the loss on a deterioration on the London and Scandinavian markets.

In banking, pre-tax profits rose by 9.2 per cent to Fl 810m from Fl 742m in the first nine months of 1992.

ING, which described its nine-month results as satisfactory, forecast a "light" increase in 1992 net profit. Three months ago, it predicted that full-year results would at least match those of 1991.

Paramount plans Italian chain

By Haig Simonian in Milan

PARAMOUNT, the US entertainment group, is to invest \$250m in a new multi-screen cinema chain in Italy, following the success of similar ventures in the US and the UK.

The new scheme will be a joint venture between UCI Europe, a Paramount cinema subsidiary, and Situr, the parent company of Italy's Valtur tourism and hotels group.

Sharp fall in profits for Royal Bank of Scotland

By John Gapper,
Banking Correspondent

RECORD bad debt charges of £401m (\$620m) led to a sharp fall in annual profits at Royal Bank of Scotland. Pre-tax profits fell to Scotland's biggest bank fell to £20.9m in the year to September 30, from £57.7m last year. This was in spite of a rise in profits before provisions to £469.4m from £407m.

Mr George Matheson, group chief executive, said the bank's attempt to sell Charterhouse, its merchant bank, was "taking longer than I would have liked". It has been trying to sell Charterhouse to a consortium of European banks.

The results were dominated by a poor performance from the branch banking division, which made a loss of £10.9m after provisions of £278.8m. Scottish branches made a £49m profit, but branches in England made big losses.

Direct Line Insurance, the bank's insurance sales subsidiary, and Citizens, its retail bank in New England, contributed to profits. Direct Line made a pre-tax profit of £15.1m and Citizens a pre-tax profit of £19.7m.

An unchanged final dividend of 8.9p per share was paid, although earnings per share were only 1.4p.

Lex, Page 22

Kugelfischer to double losses in second half

By Christopher Parkes
in Frankfurt

SECOND-HALF losses at Kugelfischer, the German bearings and industrial systems group, will be more than double the DM45m (\$29m) deficit reported in the first six months, the company said yesterday.

Demand was expected to continue falling for the next few months and output would fall by 10 per cent next year, it said.

Figures for the first 10 months of this year showed an accelerating fall in sales. Turnover at the end of October was down 7.8 per

cent, compared with a 7 per cent fall reported a month earlier.

The group, which recently announced the closure of its loss-making works in east Berlin with the loss of 470 jobs, said results would be affected by the costs of the shut-down and heavy losses in its other east German businesses.

Kugelfischer said total losses this year would be well over DM150m, compared with a deficit of DM80m in 1991.

Cost-cutting measures so far this year have included an 8 per cent cut in the workforce, reducing the payroll to 32,000.

Pechiney to take FF1bn charge

By William Dawkins in Paris

PECHINEY, the French state-owned aluminium and packaging group, is to make a FF1.1bn (\$205m) to FF1.3bn restructuring charge against profits this year to cover job losses, but said yesterday it did not expect more charges in 1993.

The group, Europe's largest

aluminium producer, yesterday said the 1,250 French job losses it announced recently would cost between FF400m and FF600m this year.

This comes on top of a FF700m charge made in the first half of the year to cover restructuring at Howmet, its North American turbine components producer,

hit by the decline in demand from the aircraft industry.

Sales fell by 9.1 per cent in the first nine months of this year to FF49.8bn.

Pechiney recorded a 63 per cent rise in net profits in the first half of the year, helped by exceptional gains which made up for a sharp fall in operating profits.

All these securities having been sold, this announcement appears as a matter of record only.

New Issue
(European Tranche)

December 1992

DOWA
DOWA MINING CO., LTD.

U.S. \$100,000,000

1½ per cent. Guaranteed Notes due 1996

with
Warrants

to subscribe for shares of common stock of DOWA MINING CO., LTD.
The Notes are unconditionally and irrevocably guaranteed by

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Robert Fleming & Co. Limited

Goldman Sachs International Limited

Mito Europe Limited

Mitsui Trust International Limited

Morgan Stanley International

Salomon Brothers International Limited

Taiheyo Europe Limited

All these securities having been sold, this announcement appears as a matter of record only.

New Issue
(Asian Tranche)

December 1992

DOWA
DOWA MINING CO., LTD.

U.S. \$100,000,000

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Warrants

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Bayerische Vereinsbank Aktiengesellschaft

BOT International (H.K.) Limited

The Development Bank of Singapore Ltd

Merrill Lynch International Limited

Norinchukin International plc

Société Générale Asia Limited

Tokyo Securities (Asia) Limited

Towa Securities (Hong Kong) Limited

Toyo Trust International Limited

S.G. Warburg Securities

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Yamaichi International (Europe)
Fujitsu International Finance
Sumitomo Finance International
Robert Fleming & Co. Limited
NOKUSA Europe Limited
Barclays de Zoete Wedd Limited
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Kansai (Europe) Limited
Credit Suisse First Boston Limited
Mitsubishi Finance International
J. Henry Schroder Bank & Corporation
Nippon Finance International
Sumitomo International Finance

INTERNATIONAL COMPANIES AND FINANCE

Navistar reduces losses to \$30m as sales increase

By Laurie Morse in Chicago

NAVISTAR International, the US trucks and bus maker, yesterday announced a reduced loss for the year to October 1992.

For the fourth quarter the group lost \$30m, or 15 cents a share, while losses for the full year totalled \$147m, or 70 cents.

That compares with a fourth-quarter loss of \$67m, or 29 cents, in 1991, and a 1991 full-year loss of \$165m, or 77 cents.

The 1992 results are preliminary since the company is currently engaged in labour

negotiations aimed at reducing health care and retirement costs.

Navistar said developments related to the negotiations may have an impact on the 1993 audited accounts.

Navistar officials and representatives of the United Auto Workers of America have said they expect to settle the benefits issue early this month.

In the fourth quarter, Navistar had sales of \$1.1bn, compared with \$1.17m in the same quarter a year ago.

During the quarter the company had an \$18m charge to earnings for recalling a potentially defective steering

gear shaft in some trucks and school buses.

For the year, Navistar recorded sales of \$3.57bn, up 12 per cent from the \$3.16bn reported for fiscal 1991.

The company is projecting a 3 per cent increase in North American demand for medium-sized trucks to 122,000 units in fiscal 1993, and a 16 per cent jump in demand for heavy trucks to 145,000 units.

Based on these projections, Navistar does not expect loss of production, other than scheduled holiday breaks, during the first quarter of the current year.

Canadian bank hit by loan losses provision

By Robert Gibbons in Montreal

A SPECIAL C\$1bn provision for property loan losses taken in the second quarter reduced Canadian Imperial Bank of Commerce's total fiscal 1992 earnings to C\$12m (US\$9.4m), compared with C\$81m a year earlier.

After preferred dividends, the bank suffered a net loss of 59 cents a share for the year to October 31, against net profit of C\$1.93 a share a year earlier. The quarterly dividend rate is capped at 33 cents a share.

Fourth-quarter earnings were C\$45m, or 9 cents a share, against C\$225m, or C\$1.09 a share, a year earlier. An additional special provision of C\$150m was made.

CIBC's C\$1bn write-off was announced on April 27. The bank had C\$960m in loans to the Olympia & York group, about half for Canary Wharf in London and the rest for Canadian and US operations.

CIBC and Royal Bank are the most exposed of the big six Canadian banks to O&Y.

The second-quarter and fourth-quarter special provisions also cover corporate bad loans in Canada and Australia.

CIBC said net non-performing loans at October 31 were C\$3.1bn, or 5.1 per cent of total loans, against C\$1.9bn or 2 per cent, a year earlier.

Non-interest income was up 11 per cent on the year, with strong investment banking performance, and gains in personal deposits, residential mortgages and credit card business.

Total assets at year end were C\$132bn, up 9 per cent. Magna International, Canada's biggest independent car parts producer, sharply improved profits for the first quarter of fiscal 1993 and is raising the quarterly dividend from 10 cents to 15 cents.

Earnings rose to C\$1.7m, or 76 cents a share, up 24 per cent from C\$95.5m, or 93 cents, on sales of C\$615m, against C\$617m.

Sleeping Korean behemoth stirs

John Burton finds intense interest as Kepco opens to foreigners

KOREA Electric Power, which was officially opened to foreign shareholders last month, is normally known as a quiet behemoth.

Ever since the government offered 21 per cent of the state-run utility to the Korean public in 1988, investors have considered Kepco, the largest capitalisation on the Seoul stock market, a safe, but boring, investment.

All that changed in August when the government announced its intention to allow foreigners to acquire up to 9 per cent of Kepco. That unleashed frantic demand for the shares as domestic investors anticipated a surge of foreign buying orders.

Kepco shares rose from a low of Won5,200 (\$11.70) in August to Won20,800 yesterday, after hitting a peak of Won25,300 on November 24, the first day Kepco was opened to foreign investors.

Kepco now accounts for 17.5 per cent of the capitalisation of the Seoul exchange against the 10 per cent share it previously claimed.

Kepco has a healthy financial structure. Annual net earnings have grown at 17 per cent on average during the past five years, although this masks profit declines in 1989 and 1990. Last year, it reported net profits of Won719bn, an increase of 18.6 per cent, on sales of Won5,702bn. Analysts expect a 20 per cent profit rise this year.

Kepco's dividend yield of 4 per cent is high by national standards. This reflects its relatively low debt/equity ratio of 50 per cent in a country where most companies have debt/equity

forced the government to introduce energy conservation measures.

The electricity shortage was ironically of the government's own making. Confronted with surplus capacity in the mid-1980s, the government encouraged consumption by cutting rates as part of an anti-inflation policy. But demand, which has risen by an average annual rate of 13 per cent since 1987, exceeded expectations.

Growth in electricity is expected to average around 9 per cent until 1997 since Korea's per capita power consumption remains low compared to other countries.

Demand growth is expected to slow down thereafter to between 4.5 and 6 per cent.

To meet short-term increases in demand, Kepco is building eight liquefied natural gas and 25 coal-fired facilities, which can be constructed relatively quickly.

But the centrepiece of Kepco's expansion programme is the construction of nine nuclear plants, to be commissioned between 1995 and 2001, in addition to the nine it already operates.

South Korea is one of the few countries in the world expanding nuclear capacity. It is also one of the world's biggest users of nuclear power, which provided 47.5 per cent of electricity generated in Korea last year.

Although there is growing public criticism about nuclear power, the government prefers it as the fundamental supplier of electricity because it does not want resource-poor Korea

to become dependent on foreign fuel sources.

Officials also say that nuclear plants are the cheapest source of electricity in terms of cost per megawatt of energy generated, although they are costly to construct.

The nuclear plants are expected to be built by Korean Heavy Industries and Construction, with four of the reactors supplied by ABB Combustion Engineering and two by Atomic Energy of Canada.

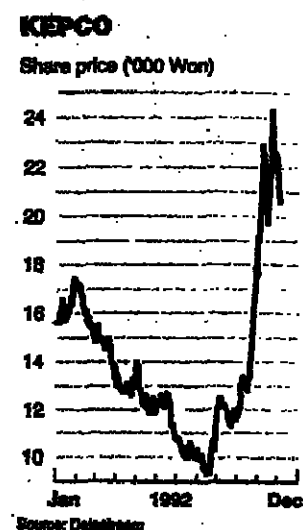
Kepco plans to spend Won5,000bn annually over the next 10 years on the construction programme, which will also include improving its transmission and distribution system.

The group is hoping to finance the expansion programme through annual rate increases of around 5 per cent in addition to loans from the state banks at preferential rates.

Kepco will also borrow funds abroad through bond issues, including \$300m it raised through a Yankee bond issue in June. No plans have been mentioned so far of raising funds through new share issues.

Jardine Fleming predicts that the increased borrowings will raise Kepco's debt/equity ratio to almost 130 per cent by 1995 but estimates that annual earnings growth can be maintained at 20 per cent.

Other analysts are more cautious, and all agree that net earnings will not rise much above 5 per cent next year as capital costs start to bite into profits.



Baltica chief executive dismissed

By Hilary Barnes in Copenhagen

MR PETER Christoffersen, chief executive of the Baltica Holding insurance group since 1987, was dismissed yesterday. He will leave on December 8.

Mr Christoffersen, 46, was responsible for taking Baltica Holding into new areas of business, including banking, insurance, vehicle recovery, property construction investments and real estate agencies.

He also masterminded a strategic alliance with France's Suez group, which holds 23 per cent of the shares in Baltica.

Holding. This was a defensive measure against a hostile takeover by Danish insurance rival Hafslund.

A major reorganisation of Baltica was announced in October, when the company warned of a loss of DKr2.5bn to DKr2.8bn for 1992 and raised DKr2.5bn (\$410m) by selling 32 per cent of Baltica insurance.

In the October reshuffle, Mr Christoffersen was named as prospective chief executive of Baltica Insurance, with Mr Steen Hemmingsen taking over the running of Baltica Holding.

Yesterday, however, Mr

Hemmingsen was made chief executive of both Baltica Insurance and Baltica Holding.

The group's losses this year will reduce equity capital from DKr9bn to about DKr4.5bn, the group said in October.

The losses include large write-offs on property investments in Gibraltar, where Baltica has invested DKr1.8bn in residential and commercial property developments.

There were also property losses in Denmark, as well as heavy losses by Baltica Bank.

Kuwaiti banks plan to merge

INDUSTRIAL Bank of Kuwait and the Kuwait Real Estate Bank plan to merge in what would be the first success in the central bank's long campaign to reduce the number of banks in the emirate, Reuters reports from Kuwait City.

The chairman of the two banks, Mr Saleh Mohammed al-Youssef of Industrial Bank and Mr Saad Ali al-Nahedh of Real Estate Bank, said in identical statements that the banks "have seen fit to merge... creating a unit which is bigger, has wider aims and more diverse activities".

Analysts say both banks face problems.

Fortis records a steady 10.3% earnings increase

By Ronald van de Krol in Amsterdam

FORTIS, the Belgian-Dutch insurance and banking group, yesterday reported a 10.3 per cent increase in net profit for both the third quarter and the first nine months of the year.

Third-quarter net rose to Ecu108.1m (\$96.89m) from Ecu98m, while nine-month results increased to Ecu303.9m from Ecu275.4m. Turnover in the nine-month period was up 22.7 per cent at Ecu6.5bn, helped partly by acquisitions and exchange rate movements.

Without these influences, turnover showed a 13.5 per cent increase.

In the third quarter, operating profit in insurance came under pressure, falling to Ecu97.9m from Ecu102.6m, because of a decline in non-life results.

"In both Belgium and the Netherlands, the outlook for motor insurance, which is essentially cyclical, and fire insurance is less bright than was previously assumed," the company said. "Measures will inevitably have to be taken in both sectors."

Banking results advanced to Ecu26.3m from Ecu17.9m.

Scher to double in second half

cent, compared with a 10 per cent fall reported a month ago.

The group, which is announced the closure of its manufacturing works at Berlin, said the loss of 470 jobs, said results were affected by the cost-cutting and heavy losses in its other east German divisions.

Krupp's chief said that this year would be the last at DM-union in 1992.

Cost-cutting measures this year have included: 10 per cent cut in the wage bill; 10 per cent cut in the pension fund; and 10 per cent cut in the 7.5 per cent

first to be shown in the sales and of 7.5 per cent

a number of record only.

December 1992

NEW ISSUE

3rd December, 1992

DAIWA HOUSE INDUSTRY CO., LTD.

U.S.\$300,000,000

2 3/4 per cent. Bonds due 1996

with

Warrants

to subscribe for shares of common stock of Daiwa House Industry Co., Ltd.

ISSUE PRICE 100 PER CENT.

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Sumitomo Finance International plc

Robert Fleming & Co. Limited

KOKUSAI Europe Limited

Barclays de Zoete Wedd Limited

Cosmo Securities (Europe) Limited

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New Japan Securities Europe Limited

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J.P. Morgan Securities Ltd.

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THE YOKOHAMA RUBBER COMPANY, LIMITED

U.S. \$180,000,000

2 per cent. Notes 1996

with

Warrants

to subscribe for shares of common stock of The Yokohama Rubber Company, Limited

Issue Price 100 per cent.

Yamaichi International (Europe) Limited

IBJ International plc

DKB International

Paribas Capital Markets

Bank of Tokyo Capital Markets Group

Bank of Yokohama (Europe) S.A.

Barclays de Zoete Wedd Limited

Baring Brothers & Co., Limited

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Sakura Finance International Limited

J. Henry Schroder Wagg & Co. Limited

Wako International (Europe) Limited

S.G. Warburg Securities



RAND MINES LIMITED
(Incorporated in the Republic of South Africa)
Registration number 01/00558/06
(“Rand Mines”)



RANDCOAL LIMITED
(Formerly Witbank Colliery, Limited)
(Incorporated in the Republic of South Africa)
Registration number 01/01369/08
(“Randcoal”)

Financial effects of the restructuring of the Rand Mines Group

Rand Mines and Randcoal shareholders are referred to the announcement of the proposed restructuring of the Rand Mines Group dated 22 September 1992. In the announcement shareholders were informed of:

- the proposed distribution by Rand Mines to its shareholders of its interests in Rand Mines Properties Limited (“RMP”), Platco, now named P.G.M. Investments Limited (“PGM”) and Goldco, now named Randgold & Exploration Company Limited (“Randgold”); and
- the acquisition of the remaining Rand Mines coal interests by Randcoal in exchange for the issue of 38 500 000 new Randcoal ordinary shares, thereby resulting in the consolidation of all the coal interests of Rand Mines in Randcoal.

Financial effects of the restructuring

The effects of the restructuring on a Rand Mines and Randcoal shareholder are as follows:

Rand Mines shareholder	Earnings per Rand Mines share	Net tangible asset value per Rand Mines share
Before (cents)	1 180	4 992
After (cents)		
Rand Mines (earnings as pyramid of Randcoal)	1 054	3 193
RMP	66	603
PGM	29	624
Randgold	40	908
Total	1 189	5 328
% Increase	0.8	6.9

Note: Rand Mines' earnings for the 1992 financial year, on which the above table is based, contained trading income which is of a non-recurring nature. The pre-listing statements of PGM and Randgold will provide more detail on the prospects of these companies.

Randcoal shareholder	Earnings per Randcoal share	Net tangible asset value per Randcoal share
Before (cents)	168	1 112
After (cents)	151	989
% Decrease	(10.1)	(11.1)

The earnings per share for Rand Mines and Randcoal after the restructuring have been calculated on the assumption that the restructuring had been effective throughout the year ended 30 September 1992. The reduction in Randcoal's earnings per share can be attributed to the fact that certain of the assets being acquired to secure Randcoal's long term independence and future, namely the coal and surface rights, are not presently generating significant amounts of income.

The effect on net tangible asset value per Randcoal share has been calculated assuming an issue price of 850 cents per Randcoal share being the market price ruling on The Johannesburg Stock Exchange on 15 September 1992, the day preceding the publication of the cautionary announcement regarding the restructuring.

Documentation

A circular, incorporating the draft PGM and Randgold pre-listing statements and a notice of general meeting, will be despatched to Rand Mines shareholders on or about 15 December 1992.

A circular, incorporating a notice of general meeting, will be despatched to Randcoal shareholders on or about 15 December 1992.

Offer to Randcoal minorities

Subject to the ratification of the restructuring of the coal interests by Rand Mines and Randcoal shareholders in general meeting, Rand Mines intends to make an offer to Randcoal minority shareholders to enable them substantially to maintain their percentage shareholdings in Randcoal prior to the restructuring. This offer to acquire Randcoal shares currently held by Rand Mines, will be at a price of 860 cents per Randcoal share and will be in the ratio of 25 shares in Randcoal for every 100 Randcoal shares held.

If the Randcoal minority shareholders accept the offer in full, Rand Mines' percentage shareholding in Randcoal will remain at approximately its present level of 71%. The effect on a Rand Mines shareholder after the restructuring, if the minorities accept the offer in full, will be to reduce earnings per share by 0.8% from 1 189 cents per share to 1 179 cents per share and to increase net tangible asset value per share by 2.5% from 5 328 cents per share to 5 462 cents per share.

If the restructuring is approved, an offer document will be sent to Randcoal shareholders following the general meetings of Rand Mines and Randcoal.

Johannesburg
4 December 1992

Registered offices

RAND MINES
Rand Mines House
21 Chaplin Road
ILLOVO, 2196
(PO Box 78861, Sandton 2146)

Merchant bankers

SMB The Merchant Bankers
(Registration number 64/06588/06)

FirstCorp Merchant Bank Limited
(Registration number 58/0241/06)
A member of the First National Bank Group

RANDCOAL
Randcoal House
21 Chaplin Road
ILLOVO, 2196
(PO Box 78861, Sandton 2146)

Sponsoring brokers

Davis Borkum Hare & Co. Inc.
(Registration number 72/09135/21)
Fergusson Bros., Hall, Stewart & Co. Inc.
(Registration number 72/08905/21)

Attorneys

Bowman Gilfillan Hayman Goddard
(Registration number 78/01915/21)

Intel wins microchip dispute with AMD

By Louise Kehoe
in San Francisco

SHARES in Intel surged yesterday, while Advanced Micro Devices declined sharply, following a court ruling denying AMD the right to use Intel microprocessor software after a long-running copyright dispute between the two US chipmakers.

The ruling protects Intel's exclusive rights to the microcode for its microprocessors, which are widely used in personal computers. Microcode is the internal software that controls the functions of a microprocessor chip.

AMD had claimed rights to use Intel's microcode under the terms of a 1976 licensing agreement between the two companies.

A federal judge ruled late on Wednesday, however, that the prior agreement did not give AMD the right to distribute products containing Intel microcode.

"We are very pleased with the decision," said Mr. F. Thomas Dunlap, Intel vice-president and general counsel.

AMD had been expected to launch, within the next few weeks, its own version of Intel's 486 microprocessor, one of Intel's most lucrative products, a chip used in the latest generation of personal computers.

However, AMD said it was well advanced with development of its own 486 microcode. "As a prudent company, we had a contingency plan," said Mr. W. J. Sanders, AMD chairman and chief executive.

AMD plans to launch its 486 chip in about six months. But the company said it was planning an immediate appeal of the ruling and might also seek a new trial in the microcode copyright dispute.

"No verdict or no ruling can change the underlying truth. In 1976 I negotiated in good faith and AMD paid a substantial sum for the rights that AMD is now being denied. There is no acceptable alternative for us other than to continue to fight for justice," Mr. Sanders said.

AMD's appeals cannot, however, make up for lost time in the fast-paced microprocessor market. The court ruling has cost it an opportunity to compete with Intel when sales of 486 microprocessors are peaking. Personal computer manufacturers are already developing products based upon Intel's next generation microprocessor, called Pentium, which follows the 486.

Although Intel dominates the market for PC microprocessors, AMD has made big inroads over the past year.

AMD stressed the latest ruling would have no effect on its shipments of 386 chips. Last year an arbitrator awarded AMD a "permanent, royalty-free non-exclusive, non-transferable worldwide right" to Intel's 386 technology as a remedy for Intel's breach of a technology exchange agreement between the two companies. Intel is appealing the arbitrator's decision.

Intel was up \$2 at \$75 1/4 at mid-day yesterday, while AMD's stock was trading at \$15 1/2, down from a Wednesday close of \$17 1/2.

Westinghouse bows to activists

By Martin Dickson
in New York

WESTINGHOUSE Electric, the troubled US conglomerate, yesterday bowed to pressure from shareholder activist groups and announced a series of changes to its corporate governance provisions - the rules which determine how a company is run.

They include the establishment of a new board committee, composed entirely of outside directors, which will handle the nomination of new board members and other governance issues; and the elimination of the company's "poison pill" anti-takeover device. However, the company did

not split the roles of chairman and chief executive, which has been urged by some investors, such as Washington-based Lens Inc. The board expressed its confidence in Mr Paul Lego, chairman and chief executive, who has been criticised by some shareholders.

The measures adopted by the board underline the growing importance in the US of a movement for better corporate governance, which involves shareholder rights groups targeting poorly performing companies and demanding changes in their rule books.

Westinghouse has become a prime target of shareholder dissatisfaction, largely because of its financial services divi-

sion, which has suffered heavy losses on poor real estate investment. The company last week announced plans to quit financial services, sell off four other businesses and take a \$1.18bn after-tax charge in a bid to restore Wall Street's faith in its management.

It faced a barrage of shareholder resolutions on corporate governance matters to be put to a vote at its annual meeting, in April. But yesterday's action should eliminate the need for many of these so-called "proxy proposals".

Yesterday's provisions include the removal of all impediments to confidential voting on company matters by shareholders. This is a wide-

spread demand of the activist movement, which argues that lack of confidentiality can intimidate some shareholders into backing management. Until now, Westinghouse has excluded proxy contests from confidential voting.

The company is also moving from a system where directors are elected on a staggered basis over several years - a popular anti-takeover device - to one where all will be elected on an annual basis.

The board's compensation committee, which oversees top management's pay, will continue to be composed only of outside directors but will retain independent, paying consultants to advise it.

Argentina gas sell-off a success

By Stephen Fidler in London
and Hag Simonian in Milan

ARGENTINA'S state-owned gas industry has been sold to private investors in a sale valued at \$4.2bn, almost double the anticipated value.

The results of Argentina's largest privatisation will mean \$680m of cash flowing to the Argentine Treasury and the cancellation of almost \$3.6bn face value of government debt, with a market value of \$1.7bn.

The sale - the largest energy privatisation outside the UK - has meant splitting the state monopoly, Gas del Estado, into two transportation companies and eight distribution companies. Between 60 and 90 per cent of these companies are being sold to operators in the privatisation.

Bidding groups led by Enron of the US and Nova Corporation of Canada secured the transportation companies, while two Italian companies - Italgas and Camuzzi - were prominent bidders for distribution companies.

Three distribution companies went to a second round of bidding, including the two largest based in Buenos Aires. British Gas was said to be well positioned to win a significant stake in at least one of the two companies in the capital.

The success of the gas sale - assuming the promised payments are made - will bolster the economy minister, Mr Domingo Cavallo, whose economic programme has over the

past two months faced significant pressure. The government hopes the signing, beginning on Sunday, of a debt relief deal with international banks should further aid the programme.

The size of the response to the privatisation appeared to reflect enthusiasm by international gas companies over a rare opportunity to take a significant stake in an important

adequate profitability criteria". Italgas said its engineers believed its two companies had the highest growth potential of any of the gas distribution areas put up for tender. Though the company holds only 25 per cent of the winning consortium, with the remainder held by the Argentine Siderco group, it will be the technical operator for distributing gas in the two

debts. The utilities are committed to investing \$582.5 over five years.

An initial public offering of minority stakes in the larger companies will follow in the international and domestic markets. Ten per cent of each will be held in trust for employees.

The aim of the government, which has been advised by the World Bank, has been to pri-

ARGENTINE GAS PRIVATISATION

Name	Cash \$m (1)	Debt \$m	Implicit value assets(2)	Winner
Trans. del Sur	305	256	1,211	Enron, Paraz Companio, Chitcorp, APDT
Trans. del Norte	86	182	431	Nova, Soldati, Techint
Dist. Metropolitana	106	281	745	2nd round (3)
Dist. SA Norte	61	252	558	2nd round (4)
Dist. Pampeana	16	217	391	Camuzzi
Dist. Litoral	27	90	174	Tractebel, Itardrola, Bemberg
Dist. Centro	25	120	200	Italgas, Siderco
Dist. Cuyana	26	96	211	Italgas, Siderco
Dist. Noroeste	22	62	105	2nd round (5)
Dist. Sur	24	134	191	Camuzzi
Total	680	1,700	4,217	

(1) Cash plus deferred cash. (2) Includes debt assumed, working capital and arrears owed. (3) Brl. Gas, Paraz Companio, Astra vs Gas Natural. (4) Brl. Gas Group vs Gas Natural. (5) Gasco (Chile), Carlsberg, Danco France vs Sogefi vs Brl. Columbia Gas.

gas utility and also to operate the company.

Mr Carlo da Molo, chairman of Italgas, the Italian state-controlled gas distribution group which won two concessions, said that in spite of continuing economic difficulties, "Argentina is a country with great potential, in which a process of reorganisation and development is now taking place. But our commitment is cushioned by a sense of caution based on

regions.

The privatisation, the advisers to which were N.M. Rothschild of the UK and Goldman Sachs of New York, entails initial tariff reductions for industries and businesses of about 18 per cent and a rise in rates for residential consumers of about 8 per cent.

The new operators will also have to buy the \$157m of working capital held by the companies and take on \$790m of

vastate and deregulate the industry at the same time. The new system, combining elements of US and UK industry regulation, allows for the free bidding by distributors for gas supplies at the well-head, but has regulated the costs for the transportation of gas, limiting yearly price increases to less than the rate of inflation through the so-called "RPI minus x" formula.

US retailers reveal mixed sales picture

By Nikki Tait in New York

AFTER two encouraging months, US retailers yesterday reported a diverse sales picture for November.

The figures cast fresh doubts over the Christmas season - reported to be off to a good start after Thanksgiving - and caused retail stocks generally to ease on Wall Street.

Among the biggest retailers, K mart, which takes in specialty chains and a discount store operation, saw total same-store sales fall by 1.1 per cent in November. This masks a 2.5 per cent decline in general merchandise, partly offset by a similar rise in the specialty store division.

Wal-Mart Stores, the nation's largest retailer in sales terms, also reported modest sales growth. Same-store sales were up by 7 per

cent, which compares with double-digit growth rates seen by the Arkansas-based retailer for much of this year. Same-store sales growth for the first 10 months of the fiscal year was 12 per cent.

Woolworth was another loser, with comparable domestic sales falling by 1.1 per cent, while - among the specialist retailers - The Gap reported an increase of just 1 per cent in same-store sales last month.

More positively, Sears, Roebuck posted a 5.1 per cent gain in same-store domestic sales. Some major department store groups also fared well. Federated, saw a 5.3 per cent increase in November same-store sales. Neiman Marcus saw a 7.5 per cent rise, and May Department Stores enjoyed a 3.6 per cent advance. At J.C. Penney, there was a 5.1 per cent gain.

US cable TV operators promise brave new era

By Alan Friedman
in New York

A GLIMPSE of the brave new world of American television was offered yesterday by Telecommunications the biggest cable television operator in the US. TCI said it could provide as many as 500 television channels by 1994.

TCI said within the next two years it planned to introduce digital compression technology, which allows one standard cable channel to become 10 channels, to as many as 100 channels in the US. TCI could expand the service to as many as 10m household subscribers. Most cable subscribers in the US now receive 30 to 40 channels. But the TCI move is likely to cause other cable operators in the US to follow.

Time Warner, another of the big US cable operators, has

begun an experiment offering 100 channels to subscribers in the Queens section of New York. But the experiment is a limited one, so far.

The new technology means American television viewers could soon find themselves with a bewildering panoply of special interest stations, pay-per-view services, sports, movies and interactive services that bring together computers and television.

Interactive television is a priority among cable operators. The new TCI multi-channel system is expected to offer interactive services, allowing a home viewer to press a button to vote in an opinion poll, order dinner, shop for consumer goods or play a computer game.

"Television," said Mr John Malone, president of TCI, "will never be the same."

NORTHAM PLATINUM LIMITED ("Northam")

(Registration No. 77/03282/06)
(Incorporated in the Republic of South Africa)

PROPOSED RIGHTS OFFER TO RAISE APPROXIMATELY R350 MILLION

Northam proposes to raise approximately R350 million, net of estimated expenses of R5 million, by way of a rights offer to all shareholders registered at the close of business on 18 December 1992.

The purpose of the rights offer is to provide Northam with sufficient funds to finance Northam's working capital/capital expenditure requirements needed to bring the mine to full production by June 1993 and to repay short-term bridging finance incurred to date, namely R169 million. It is expected that Northam will achieve a positive cash flow during the second quarter of the 1994 financial year.

A further announcement setting out the terms of the rights offer will be published in the press on 14 December 1992.

The last day to register in order to participate in the rights offer is Friday, 18 December 1992 and in this connection the registers of members will be closed from 19 December to 24 December 1992, both days inclusive in order to determine the shareholders entitled to participate in the proposed offer.

Registered and Transfer Offices

75 Fox Street
Johannesburg
2001

P.O. Box 1157
Johannesburg
2000

Brokers to the Issue

In the Republic of South Africa:
Fergusson Bros., Hall, Stewart & Co. Inc.
(Registration No. 72/08905/21)
Member of the Johannesburg Stock Exchange
and the South African Futures Exchange

In the United Kingdom:
Cassidy & Co. Ltd.
A member firm of The Securities and Futures
Authority and of the London Stock Exchange

Johannesburg
4 December 1992

A member of the Gold Fields Group

U.S. \$50,000,000 IBM Credit Corporation

Floating Rate Yen Linked
Notes due 1995

In accordance with the provisions of the Notes, notice is hereby given, that for the six months interest period from December 4, 1992 to June 4, 1993 the notes will carry an interest rate of 4.08375% per annum. The amount payable on June 4, 1993 against Coupon No. 15 will be U.S. \$206.96 per U.S. \$10,000 principal amount.

By: The Citicorp National Bank, N.A.
London, Agent Bank

December 4, 1992



Appointments Advertising

appears every
Wednesday & Thursday

Friday
(International edition only)

CREDIT NATIONAL FRF 500,000,000 10 5/8 % RETRACTABLE BONDS DUE 2000

Notice is hereby given that, according to the terms and conditions of the bonds, the rate of interest applicable to the bonds for the period 16 January 1993 to 16 January 2000 has been fixed at 8.60 % by the Issuer.

The Principal Paying Agent
**SOGENAL
SOCIETE GENERALE
GROUP**
15, Avenue Emile Reuter
LUXEMBOURG



Tate & Lyle PLC

(Incorporated in England
with limited liability)

U.S. \$50,000,000

Floating Rate Notes 1996

We hereby inform you that for the six months 3rd December, 1992 to 3rd June, 1993 the Notes will carry an interest rate of 4.125 per cent per annum with a Coupon amount of U.S. \$1,085.42 per U.S. \$100,000 Note payable on 3rd June, 1993.

Bankers' Trust
Company, London Agent Bank

December 4, 1992

Mistral International Limited

US\$1,100,000,000
Variable rate notes due 2005

For the interest period 4 December 1992 to 4 March 1993 the notes will bear an interest rate of 4.5281% per annum. Interest payable on 4 March 1993 will amount to US\$11,320.25 per US\$1,000,000 note.

Agent: Morgan Guaranty
Trust Company
JPMorgan

NOTICE OF REDEMPTION A/S Eksportfinans US\$100,000,000 10% Notes due 1996

NOTICE IS HEREBY GIVEN that pursuant to paragraph 4 (b) of the Terms and Conditions of the above-mentioned Notes, Citibank, N.A., as Principal Paying Agent has selected by lot for redemption on January 9th 1993 US\$20,000,000 principal amount of said Notes at the redemption price of 100% of the principal amount thereof. Outstanding Notes bearing serial numbers ending in any of the following two digits have been selected for redemption.

All bonds ending in the following two digits:-

01	02	03	04	05	06	15	16	23	25	29
30	34	44	51	56	64	68	75	80	90	
91	94	99								

Also the bonds bearing the following serial numbers:-

159	259	459	559	659	759	859	959	1059	1159	
1259	1359	1459	1559	1659	1759	1859	1959	2059	2159	
2259	2359	2459	2559	2659	2759	2859	2959	3059	3159	
3259	3359	3459	3559	3659	3759	3859	3959	4059	4159	
4259	4359	4459	4559	4659	4759	4859	4959	5059	5159	
5259	5359	5459	5559	5659	5759	5859	5959	6059	6159	
6259	6359	6459	6559	6659	6759	6859	6959	7059	7159	
7259	7359	7459	7559	7659	7759	7859	7959	8059	8159	
8259	8359									

COMPANY NEWS: UK

Photo processing restrains LIG

By Maggie Urry

LONDON INTERNATIONAL Group, the condoms, health and beauty products and photo-processing group, reported a rise in pre-tax profits from £7.1m to £15.5m for its half year to September 30.

However, the previous year's figure was depressed by a sharp fall in the photo-processing side, though Mr Alan Woltz, chairman, said: "I am pleased with the performance on our health and personal products divisions, which continue to demonstrate the fundamental strength of our brands in a recession."

He added that LIG saw no sign of an end to the recession and was planning accordingly.

He also announced that Mr David Harbut, finance director, would retire at the financial

year end of March 31 1993. A search for a successor was under way.

Group turnover rose from £180m to £194.5m. Operating profits were down 11 per cent to £22.4m. Net interest charges of £5.9m (£4.6m) reflected higher borrowings.

Net debt was £134.1m at September 30, up from £94.8m a year earlier and £107m at March 31. The group aims to reduce debt to the March level again by the year end although exchange rate movements were adverse.

Earnings per share came out at 6.37p, against 8.27p before exceptional items of 2.64p after the interim dividend is unchanged at 3.2p.

Health and personal products increased operating profits from £13.6m to £16.1m, on sales up slightly at £120.9m (£119.1m), showing further margin growth. Good results came from condoms, surgical and industrial gloves as well as



Alan Woltz, pleased with health and personal products

products such as Buttercup cough syrups.

Photo-processing profits fell from £11.5m to £6.3m as falling volumes reduced the efficiency of the plants and competitors cut prices in an attempt to keep market share. Another

three plants are to close, costing 200 jobs and a second half exceptional charge of £2m.

● COMMENT

The LIG story is beginning to be told and understood. Continual cost cutting in photo-processing is getting the break-even rate down to a level where an eventual recovery in volume should yield bumper profits. But in the short term, last year's second-half loss of £5.6m in that division could be repeated this time, unless there is a white Christmas, which would get people snapping. Meanwhile, the other side of the business is doing well despite the recession. Imaginative marketing on brands is having a good effect on margins. A repeat of last year's £39.4m pre-exceptionals, would give a p/e under 15. The shares have little downside, and should begin to perform when signs of economic recovery appear.

Murray Enterprise asset value 40% ahead

By Philip Coggan, Personal Finance Editor

MURRAY ENTERPRISE yesterday belied recent problems in the venture capital trust sector with a 40 per cent rise in net asset value per share over the year to September 30.

The recession's impact on small businesses and the difficulty of valuing unquoted holdings has caused problems at investment trusts such as Drayton Consolidated and Gresham House.

Murray Enterprise's portfolio was strengthened by the flotation of two of its US investments, Fleet Call and Centigram. Four unlisted investments were also realised for a total consideration of £1.67m.

Since the end of the financial period, the directors have announced that due to the strengthening of the US dollar and a rise in share prices of two of the US holdings, the net asset value has increased to 162p per share.

During the year, the trust redeemed some £2.48m of loan stock, which increased net assets per share by 5.35p.

The trust's aim is capital growth, not income. Nevertheless, the trust received a one-off dividend from an unlisted investment last year.

Since investment trust rules require the distribution of income, Murray Enterprise will make a dividend payment of £125,000 in July 1993. The amount per share will not be known until it is seen how many loan stock holders convert into ordinary shares at forthcoming conversion dates.

Improved margins boost Scottish Hydro to £40.6m

By James Buxton, Scottish Correspondent

SCOTTISH Hydro-Electric, the smaller of the two Scottish electricity companies, increased its pre-tax profit by two-thirds to £40.6m in the half year to September 30, thanks to higher volumes and better profit margins.

Turnover of the integrated utility, which generates, transmits and distributes electricity, increased 6.8 per cent to £301m (£281.5m).

Earnings rose 55 per cent to 7.93p and the interim dividend is being lifted by 10.8 per cent to 3.6p.

Hydro-Electric's sales volume in Scotland showed underlying growth of 2 per cent, and there was a 20 per cent rise to £80.3m in sales to customers in England and Wales.

The operating margin improved to 16.7 per cent,

thanks partly to the arrival of "sour" untreated gas from the Miller field in the North Sea at the company's Peterhead power station, and partly to the high Scottish summer rainfall, which permitted more hydro-electric generation. But these lower costs were partly offset by higher bills from Scottish Nuclear.

Interest charges fell to £9.7m (£15.7m) as gearing was cut to 20.6 per cent through strong cashflow. It plans to redeem £116m of government debt, saving £1m in interest this year and £4m thereafter, although a redemption charge of £12.5m will appear in the full year's accounts.

● COMMENT

Hydro-Electric has the second lowest tariffs in Britain and its sales in the English market will increase as the interconnector upgrade and Keadby

come onstream. Like Scottish Power, it is better insulated than other power companies from the present energy review. If the government were to make consumers pay more for electricity to support the coal industry, Hydro-Electric would get higher income. If it tried to limit the pass-through to the consumer of the costs of gas plants like Keadby, the burden would fall on the regional generators, and Hydro-Electric is not a regional company. Analysts forecast full-year pre-tax profits of between £142m and £146m, and a full-year dividend of about 11.3p, compared with this year's 10.16p. The shares closed yesterday up 3p at 240p. With another 70p to be paid up next May, gross dividend yield on a fully paid basis is 4.8 per cent, reflecting the greater potential of the Scottish companies. The shares should be bought.

Smith New Court falls 11% halfway to £6.7m

By Richard Waters

A QUIET period in the UK equity market in early summer accounted for a decline in first-half profits at Smith New Court, the securities house.

The company, one of the UK's biggest market makers, reported profits down 10.7 per cent from £7.5m to £6.7m for the six months to October 30. The interim dividend is held at 1p, in line with the company's policy of producing a steady dividend unaffected by fluctuations in financial market activity.

A quiet period in June and July in the UK equity market - still Smith's most important

market, despite expansion overseas in recent years - accounted for the dip in profits, said Mr Michael Marks, chief executive. He added, though, that a renewed burst of activity in the UK stock market after sterling left the ERM in the middle of September had brought a strong end to the half year.

Profits were also bolstered by "good volumes in Hong Kong and good volumes and a reasonable amount of business in New York," he added. The sharp decline in Hong Kong share prices since the end of the half-year had not hurt the company, he said.

Earnings were 7.2p (7.4p).

Greycoat £39m in red as property losses take toll

By Peter Pearce

PRE-TAX losses at Greycoat, the property investment company which in September rescinded its recommendation to pay the 2.9p final dividend for the year to March 31 only two days before shareholders were due to approve it, grew sharply from £5.8m to £39.2m in the six months to September 30.

The interim dividend is passed (2p). No preference dividend was paid on October 1; nor is one likely on April 1.

However, Mr Richard Guignard, managing director, finance, said his company was "a million miles away from

Rosehaugh", the property company that called in receivers this week.

Greycoat's operating profits declined to £16.1m (£17.7m), but there was a loss of £13m from properties with a book value of £85.8m sold for £72.5m, a loss of £15m from the £27.5m sale of its interest in Finsbury Avenue, and £7m (£8m) provisions against properties at cost.

Mr Guignard said Greycoat's aim was to pay down its debt via the "not reckless" sale of assets, adding that, unlike Rosehaugh, its assets were in excess of its debts.

Losses per share emerged at 47.4p (12p).



WORLD LEADER

(One third of all car catalysts fitted this year were made by us)



Johnson Matthey has had a good first six months. The highlight has undoubtedly been the excellent performance of our Catalytic Systems Division. Our other three divisions also performed well.

David Davies, Chairman

KEY FIGURES

Profit before tax	£33.2m	(1991: £32.2m)
Earnings per share	12.1p	(1991: 11.5p)
Interim dividend per share	3.2p	(1991: 3.0p)

Interim Results 1992



Johnson Matthey

175 years of leadership in using precious metals for all their worth

For a full copy of the Interim Results, please contact: The Secretary, Johnson Matthey PLC, 2-4 Cockspur Street, London SW1Y 5BQ.

The contents of this advertisement, for which the Directors of Johnson Matthey PLC are solely responsible, have been prepared for the purpose of Section 57 of The Financial Services Act 1986 by an authorised person. The financial information given above does not constitute statutory accounts.

- Profit before tax up despite adverse exchange rate movements
- Strong volume growth in European autocatalyst business.
- Electronic materials and biomedical businesses growing
- Increased investment in R&D
- Interim dividend increased by 7% on confidence for the future

Hanson's US arm shows 15% growth

By Roland Ruddy

HANSON'S North American arm, Hanson Industries, reported the biggest increase in trading profits, up 15 per cent from £49.4m to £56.7m on sales of £4.1bn against £3.5bn in the year to September 30.

The US accounts for 51 per cent of group operating profits compared with 42 per cent from the UK and the balance from the rest of the world.

Bulking products are divided into three divisions: ● Aggregates saw its profits fall to £31m (£38m) on sales of £1.12bn (£1.21bn).

● Forest products and lumber increased profits to £69m (£44m) on sales of £231m (£178m).

● Housebuilding reported its first profits of £45m on sales of £338m.

● Other building products saw profits increase to £72m (£66m) on sales of £677m (£671m).

Hanson's businesses are divided under three headings: industrial, consumer and building products.

Industrial products, which are based mainly in the US, reported the following results:

● Coal mining's trading profit fell to £157m (£170m) on reduced sales of £1bn (£1.1bn).

● Chemicals showed a lower trading profit of £116m (£136m) on sales of £543m (£583m).

● Material Handling saw profits decline to £42m (£49m) on lower sales of £258m (£276m).

● Gold mining, in spite of record production, reported a fall in trading profits to £38m (£38m) on increased sales of £106m (£98m).

● Other industrial products reported increased profits of £36m (£38m) on sales of £302m (£272m).

Consumer products are

divided between Imperial Tobacco in the UK and other products, mostly in the US.

Imperial Tobacco reported record profits of £286m (£240m) on sales of £2.98bn (£2.67bn).

Other consumer products, which include the US brand names of Rexair vacuum cleaners and Farberware stainless steel cookware, saw profits rise to £100m (£79m) on sales of £550m (£518m).

Bulking products are divided into three divisions:

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● Forest products and lumber increased profits to £69m (£44m) on sales of £231m (£178m).

● Housebuilding reported its first profits of £45m on sales of £338m.

● Other building products saw profits increase to £72m (£66m) on sales of £677m (£671m).

Yorkshire boost as Metro Radio advances 10%

Strong growth in its Yorkshire advertising revenue helped Metro Radio Group, the USM-owned local radio station operator, boost turnover to £15.15m in the 12 months to September 30, from £12.82 in the previous year, writes Chris Tighe.

The Tyneside-based group yesterday reported a 12.9 per cent increase in advertising revenue to £12.64m (£11.2m), and 10 per cent rise in pre-tax profits to £1.96m (£1.69m).

Earnings per share rose slightly to 7.5p (7.2p); total net dividend is maintained at 5p.

Local and regional advertising revenue grew by 18.7 per cent and national revenue 2.3 per cent. In Yorkshire alone it was up 30 per cent.

Mr John Josephs, finance director, who becomes group managing director on January 1, said gearing at year end was just over 100 per cent. This followed capital expenditure during the year of £1.1m.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding dividend	Total dividend	Total year
Control Tech	4.7	Feb 15	4.35	9.05	8.6
Eastern Electric	5.5	Mar 22	4.95	10.45	10.7
Grandmild	7.7	Apr 13	7.15	14.85	11.35
Greycoat	n/a	n/a	2.3	2.3	2.3
Hanson	2.85	Jan 4	n/a	n/a	2.3
Holmes & March	n/a	n/a	n/a	n/a	8.3
Johnson Matthey	3.2	Feb 1	3	6.2	6.65
Latham (James)	1.5	Feb 11	1.5	3	3.75
London Int'l	3.2	Apr 6	3.2	6.4	6.45
Metro Radio 5	3.5	Jan 20	3.5	7	5
Murray Ent's	1.89	Jul 30	3.551	5.441	3.551
Royal Bank Scot	3	Feb 26	3	6	6.6
Scapa	1.6	Feb 12	1.52	3.12	3.58
Scottish Hydro	3.6	Mar 24	3.25	6.85	10.16
Severn Trent	7	Apr 1	6.4	13.4	19.3
Shanks & McEwen	2.24	Jan 20	2.24	4.48	5.88
Smith New Court	1	Feb 19	1	2	4.5
Sydney	3.15	Feb 9	3.15	6.3	6.45

Dividends shown pence per share net except where otherwise stated. (On increased capital, US\$M stock).

SCAPA GROUP PLC

Interim results for six months ended 30 September 1992

Sales £156.9 million (£141.4 million)

Pre tax profits £20.0 million (£20.3 million)

Earnings per share 5.7p (6.2p)

Interim dividend increased by 5 per cent to 1.60p

- All the divisions have turned in encouraging results given the conditions
- The second half of the year should benefit from improvement in the exchange rates
- Confident in our capability to deliver growth in the future.

R.W. Goddall, Chairman

Copies of the Interim Report will be available after 10 December 1992 from the Company Secretary, SCAPA GROUP PLC, Oakfield House, 95 Preston New Road, Blackburn, Lancashire BB2 6AY.



Johnson

Johnson Matthey has had a good first six months. The highlight has undoubtedly been the excellent performance of our Catalytic Systems Division. Our other three divisions also performed well.

Shanks &

Shanks & McEwen reported a 12.9 per cent increase in advertising revenue to £12.64m (£11.2m), and 10 per cent rise in pre-tax profits to £1.96m (£1.69m).

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Local and regional advertising revenue grew by 18.7 per cent and national revenue 2.3 per cent. In Yorkshire alone it was up 30 per cent.

Mr John Josephs, finance director, who becomes group managing director on January 1, said gearing at year end was just over 100 per cent. This followed capital expenditure during the year of £1.1m.

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Johnson Matthey edges up 3%

By Kenneth Gooding,
Mining Correspondent

JOHNSON MATTHEY, the precious metals group, lifted pre-tax profits for the half-year to end-September by 3 per cent from £22.2m to £23.2m and is showing confidence about the second half by raising its interim dividend from 3p to 3.2p a share.

"We have shown we can generate profits growth even in these difficult times and I am sure this growth will be even sharper when the world's major economies finally emerge from recession," said Mr David Davies, chairman. But he said there was no sign yet of the world-wide recession coming to an end.

● The group also reported: ● An extension to its exclusive marketing contract with

Rustenburg of South Africa, the world's biggest platinum producer, taking a relationship that started in the 1920s well into the next century.

● The completed sale of its 50 per cent stake in the Tsumeb Matthey former joint venture in Namibia. This raised about £20m and produced a pre-tax profit of roughly £4.5m. The proceeds will help finance a new \$60m (€39m) car catalyst plant in Japan with Japanese management.

● It had won a four-year contract to supply Honda in North America with an annual 1m car anti-pollution catalysts. Mr Richard Wakeling, chief executive, said this contract was won because JM had advanced technology to offer and would double to 18 per cent the company's share of supply of catalysts to Japanese car makers. JM would add a new production line to its catalyst plant in Philadelphia for the Honda business.

Mr Wakeling said JM's £20m, three-year rationalisation programme was almost at an end and there would be no more charges in this respect. Cost savings were running at £18m a year and in six to nine months would be an annual £22m to £23m.

JM will continue to spend heavily on research and development - about £20m has been allocated this year. It will concentrate mainly on the autocatalyst, electronics materials and biomedical businesses.

Mr Davies said the highlight of the first half was the excellent performance of the catalytic systems division, where operating profits rose to £12.9m (£10.8m). Turnover fell from £918.9m to £895.1m, but Mr Davies suggested net revenues were the true indicator of the level of business. These rose from £180.1m to £152.8m. Earnings per share rose to 12.1p (11.5p).



David Davies: profits growth in spite of difficult times

Wickes calls for £10m to fund retail expansion

By Peggy Hollinger

WICKES, the do-it-yourself retailer which was rescued last year with a £42.5m rights issue, yesterday called on investors to fund a £10m retail expansion in the UK and continental Europe.

The group, which operates 102 stores in the UK, Belgium, Holland and France, announced plans for 17 new outlets to be opened next year.

All but two would be opened in the UK and some 350 new jobs would be created as a result.

Stockbrokers SG Warburgs yesterday placed 13.5m new shares with institutions at 72½p, raising a total of £9.8m, to fund the expansion.

The new shares represent less than 5 per cent of the existing equity. Wickes' shares closed last night 2p down at 70p.

Mr Henry Sweetthorn, chairman, said the group was taking the opportunity to expand when sites were cheap, in spite of tough trading conditions.

"We are not looking at the economy through rose-coloured spectacles in 1993, but we do expect some recovery in 1994," he said.

Wickes, which incurred losses of £7m last year, is forecast to report profits of between £2m and £2.5m for the year to the end of December.

Debt is expected to be lower than the £24m reported at the half-way stage.

Interest costs hold back Severn Trent to 3% rise

By Bronwen Maddox,
Environment Correspondent

SEVERN TRENT, the Midlands water and sewerage group, saw half-year pre-tax profits held to a 3 per cent rise by interest charges incurred on its heavy investment in water treatment and by the impact of recession on waste management.

Nevertheless, profits of £140.8m (£136.7m) for the six months to September 30 were slightly ahead of City expectations. That, together with the 9.4 per cent rise in the interim dividend to 7p (6.4p), helped the shares rise 1p to 445p.

Mr Roderick Paul, chief executive, said: "The recession is real and I don't see it ending. It doesn't worry me - I'd just like it to be different."

Water and sewerage price increases and a full six months contribution from Biffa, the waste management company acquired for £212m in May 1991, pushed group turnover up by 16.2 per cent to £439.1m (£385.2m).

Operating profits from the

core water and sewerage business rose by 11.7 per cent to £149m (£127.8m) as operating margins rose from 37.5 per cent to 39.7 per cent. Severn Trent said that cost savings of £5.5m were made in the half year, including a 1 per cent cut in staff to 7,400.

Operating profits in Biffa rose to £6m (£5.4m) but on a comparable basis for a full six months this represented a fall of more than 10 per cent.

Operating profit on other businesses - water and waste services in Belgium and the US - rose to £1.6m (£1.2m) after a £600,000 contribution from recent acquisitions.

The fall in profits on a comparable basis was due to the costs incurred in pitching for US municipal contracts, Mr Paul said.

Corporate overheads fell to 4.8m (£5m) because "we've been attacking all kinds of costs, and spending less on the annual general meeting and paraphernalia", he added.

The interest payable of £11m, compared with £7.3m interest

received, it was incurred on debt of £250m at end-September, against £170m in March and £36m in September 1991. Earnings improved by 2.7 per cent to 37.5p (36.5p) per share.

COMMENT

It is not news by now that Biffa is unlikely to make the profits envisaged at the time of acquisition for several years. Its £6m profits in the half year covered only about half the interest charged on its acquisition cost, but its dilutive effect on earnings appears largely to be in the share price. Although interest charges will hold back profit growth, the peak spending will soon be passed. Barring further disappointment in the non-core businesses, £275m pre-tax profits and earnings per share of 70.7p could be achievable for the full year. The dividend cover is still one of the highest in the sector and if Severn pays a full-year dividend of 21p (19.3p), that may give its shares reason to do better than the sector.

Shanks & McEwan slips to £15.8m

By Richard Gourley

SHANKS & McEwan, the Glasgow-based waste management company, yesterday reported only a 5.5 per cent downturn in interim pre-tax profits in spite of being unable to pass on increased costs of environmental control.

However, the recession sharply increased the group's interest charge as collection of debts dramatically slowed.

Pre-tax profits in the six months to September fell from £16.73m to £15.81m on sales up 2 per cent at £78.1m. The interim dividend is to be maintained at 2.34p.

In the largest dry waste division Shanks made £7.4m after interest, up 2.5 per cent and with an increased margin. Mr Peter Runciman, the chairman who will be stepping down later this month, said new regulations under the Environment Protection Act were bound to benefit Shanks.

"The new environmental legislation is a powerful force in directing more waste towards high standards of disposal," he said. In the environmental services division, which deals with high temperature destruction of hazardous wastes, sales increased 8 per cent but profits of £4.58m were down 5.5 per cent as Shanks was unable to pass on the cost of higher environmental standards.

Debt doubled to £16.45m during the period, almost entirely due to later payment of work in progress in the construction services division.

"Being a Scottish-based company with a Presbyterian ethos, we would not like to see gearing go much higher," Mr Runciman said.

● COMMENT ● It would take a brave man to call the turn in the UK's waste management sector.

Ravaged by price-cutting, falling dry waste volumes and higher costs of meeting stricter environmental controls, investors have had ample reason to be shell-shocked. Perhaps too much hope is vested in the removal of capacity that might follow the introduction of new regulations next April. It is simply too early to judge how this might pan out. But judging by what Shanks and Biffa - Severn Trent's waste division - said yesterday about improved or maintained margins, the sector may now have found a bottom. It is premature to think multiples will return to the crazy levels of three years ago, when Shanks traded on a 46 times earnings multiple. But with Shanks likely to make £28m pre-tax at the full year, or 11.4p of earnings, the shares should probably be on a greater premium to the market.

See People

Alexon warns of downturn

By Jane Fuller

DISAPPOINTING sales of Dash Leisure wear led Alexon Group to issue a profit warning yesterday, and the share price fell a further 27p to 96p.

At that level it is less than a quarter of the 444p high hit in September last year, a few months after its demerger from Claremont Garments (Holdings), the Marks and Spencer supplier.

Alexon said that although autumn trading started well, sales had been disappointing since September 16, particularly in Dash.

Analysts downgraded their profit forecasts from 7m to about £4m pre-tax, against last year's £11.5m. They also pencilled in a dividend cut. One forecast that the final would be cut from 7.6p to 3p.

B Elliott returns to SE with package to cut debt

By Matthew Curtin

SHARES in B Elliott, the struggling engineering group, were relisted yesterday with the announcement of a refinancing package, including a £16.5m debt-equity swap.

The effect is to reduce the group's debt by £27m, and to provide the base from which it can concentrate on its profitable businesses, specialist machine tool manufacture and electrical engineering.

Reconstruction was triggered by the collapse of the UK and European machine tool trade, its core business in the past.

Share trading resumed at 3p, giving a market value of £1.8m, compared with 80p and £45m 18 months ago. Proposals include a 20-for-1 conversion of ordinary shares capital and a £2.5m placing and open offer.

Falkner Moller Partners, a development capital group, and funds managed by Foreign &

Colonial Ventures and the Independent Investment Company will subscribe in cash for 15.6m shares to raise £9.5m. The subscription gives Falkner a 40 to 46 per cent stake in Elliott, but the Takeover Panel has waived any requirement that Falkner make a general cash offer to all shareholders.

Elliott's bankers will convert £16.5m of debt into new ordinary and preference shares.

Mr Michael Frye, chief executive, said Elliott had successfully reconstructed the business after demand for machine tools had come to a standstill - "the worst conditions in the industry since the 1930s".

Elliott reported a pre-tax loss of £487,000 (£106,000), on turnover of £45.8m (£56m). Operating profit improved to £2.15m (£1.3m) but interest charges rose to £2.55m (£1.27m). There is no interim dividend.

Losses per share were 2.36p (3.84p).

Severn Trent Interim Results

For the six months ended 30 September 1992

"We have continued to make steady progress in the first half, which has been marked by a significant number of operating improvements. Within the important area of customer service we were delighted to receive one of the first Charter Marks awarded under the new government scheme. The successful introduction of advanced billing systems and new technology, which delivers a faster response to customer enquiries, has had a dramatic effect in improving overall standards. Costs were carefully controlled in all areas of activity and productivity has risen."

John Bellah, Chairman, 3 December 1992

- Tight control of costs
- Sound growth in non-regulated businesses
- Big improvement in customer service levels
- Biffa sales and profits improving

	1992	1991	Increase
TURNOVER	£439m	£385m	16.2%
OPERATING PROFIT	£140.8m	£129m	17.3%
PROFIT BEFORE TAX	£141m	£137m	3.0%
EARNINGS PER SHARE	37.5p	36.5p	2.7%
INTERIM DIVIDEND	7.0p	6.4p	9.4%

Severn Trent



These results are unaudited. A copy of the interim report will be sent to shareholders and may be obtained from: Company Secretary, Severn Trent Plc, 2500 Coventry Road, Birmingham B36 3PZ.

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 1992

More progress from Eastern.

Statement by the Chairman and Chief Executive Dr. James Smith

"The results for the first six months of the financial year show an increase in operating profit to £31.5 million (1991-£26.0m) and a rise in profit before tax to £26.1 million (1991-£15.4m) on turnover of £830.2 million (1991-£821.7m). Earnings per share rose to 6.9p from 4.3p.

The increase in operating profit reflects the benefits of our cost reduction programmes and the continued strategic development of our portfolio of electricity purchase contracts. We also saw a useful increase in sales to the competitive non-franchise market. Profit before tax and earnings per share benefited significantly from reduced interest charges (£12.4 million compared with £16.9 million).

Electricity Business. Units distributed to commercial customers increased in the first half of the year, although those distributed to the domestic and industrial sectors fell. Overall there was a net fall of 1.9% compared with units distributed in the first half of 1991/92. However, adjusting for differences in weather conditions between the two periods and for other exceptional factors, the underlying level of units distributed was only marginally lower.

Tight control of costs remains central to our management of the business. In particular, increases in costs in distribution have again been kept below the rate of inflation. Our commitment to a further cost reduction was evidenced by the announcement on 1 December that we are inviting employees aged over 50 to apply for Voluntary Early Retirement in order to reduce our total staffing numbers by 450 within the next 3 months. The announcement follows a similar scheme successfully completed in October in which some 84 employees in the Contracting Division were accepted for early retirement.

Capital expenditure has been reduced in line with a decrease in new business caused by the recession and a continued improvement in productivity. The provision of a highly reliable supply of electricity to our customers remains a priority. The review of the distribution system performance of all REC's prepared by OFER ("Report on Distribution Transmission Performance 1991/92") showed that Eastern's distribution system has demonstrated a consistently high level of performance since privatisation.

In order to maintain and enhance the high standards of service achieved in all areas of Eastern's business, we recently announced the introduction of a Quality Drive throughout the company.

Retailing. On 31 October 1992 we were pleased to announce that Midlands Electricity will be merging its retail business with our associate electrical retailing company, E&S Retail, with effect from 1 April 1993. This will consolidate E&S's position as the third largest electrical retailer in the country. The merged business will benefit from a considerably reduced cost base and greater buying power compared with the individual positions of the three REC retail businesses that are now to be merged. While the costs of establishing the joint venture mean that it will make a loss in 1992/93, the benefits referred to above position it solidly for the future.

Generation. Our two principal investments in independent generation are progressing well. Peterborough Power, which benefits from a particularly favourable gas deal, is expected to be completed within budgeted cost and on time in September 1993. The Barking station, which benefits from gas supplies on similar terms, is in the early stages of construction. In addition, Fibrepower, a 12.7 MW power plant in which we have a 25% interest and which runs on poultry litter, was opened on 19 November.

Prospects. The Eastern region, as with so much of the UK, continues to face difficult economic conditions and there seems little sign of an upturn. Nonetheless, we are expecting a small growth in units distributed for the year ending 31 March 1993 and, taking into account the actions commented on earlier, are confident of achieving satisfactory results for that year. Accordingly, and taking into account our previously stated policy of paying an interim dividend representing broadly 30% of the expected full year dividend, the Directors have declared an interim dividend of 5.50p per share. The interim dividend will be paid on 23 March 1993 to shareholders on the Register at the close of business on 28 January 1993.

Group historical cost results for the six months ended 30 September 1992

	Notes	1992 £m	1991 £m	1991/92 £m
Turnover		830.2	821.7	1,878.1
Operating profit		31.5	26.0	158.9
Income from fixed asset investments	3	7.0	6.3	19.5
Net interest		(12.4)	(16.9)	(33.3)
Profit on ordinary activities before taxation		26.1	15.4	143.1
Taxation	4	(7.6)	(3.8)	(38.8)
Profit on ordinary activities after taxation		18.5	11.6	104.3
Dividends		(14.8)	(13.1)	(45.1)
Profit retained		3.7	(1.5)	59.2
Earnings per ordinary share		6.9p	4.3p	38.6p
Dividend per ordinary share		5.5p	4.85p	16.7p

Group historical cost balance sheets

	30 Sept 1992 £m	30 Sept 1991 £m	31 March 1992 £m
Fixed assets			
Tangible assets	741.8	735.5	745.4
Investments	133.3	97.5	98.1
	875.1	833.0	843.5
Current assets	380.9	387.3	424.0
Current liabilities	(277.8)	(273.5)	(298.6)
Net current assets	103.1	93.8	125.4
Total assets less current liabilities	978.2	926.8	968.9
Debtors and bonds (unsecured)	(168.0)	(200.0)	(168.0)
Provisions	(42.8)	(28.9)	(40.3)
Net assets	767.6	698.9	760.6
Capital and reserves			
Called up share capital	135.0	134.9	134.9
Reserves	632.6	565.0	625.7
	767.6	699.9	760.6
Net debt	142.9	241.0	233.3
Gearing	18.6%	34.4%	30.7%

Notes
1 Basis of Preparation: The interim results for the six months ended 30 September 1992, which were unaudited, have been prepared on the basis of the accounting policies for the year ended 31 March 1992. The financial information contained in this interim statement does not amount to statutory accounts within the meaning of Section 240 of the Companies Act 1985. The results for the year ended 31 March 1992 are audited from the full accounts for that year, which contain an unqualified auditor's report and have been delivered to the Registrar of Companies.

2 Current cost adjustments:
Historical cost profit on ordinary activities before taxation 26.1
Current cost adjustments
Depreciation (28.9)
Cost of sales (4.3)
Monetary working capital 3.4
Gearing (27.8)
Current cost loss on ordinary activities before taxation (1.7)

3 The National Grid Holding plc: Included within profit before taxation is £7.0m interim dividend receivable from The National Grid Holding plc (1991 interim £5.3m and total for year £19.5m).

4 Taxation: Taxation for the six months ended 30 September 1992 has been provided on the basis of the estimated effective tax rate for the year ending 31 March 1993.



Copies of this announcement can be obtained from the Company Secretary, Eastern Electricity plc, Wheatland Park, P.O. Box 40, Wheatland, Ipswich, Suffolk IP9 2AQ. For shareholder enquiries please ring 0345 959697.

COMPANY NEWS: UK

Interim profits buoyed by significant cost cutting and reduced interest charges
Eastern Electricity surges by 69%

By Paul Taylor

EASTERN ELECTRICITY reported a 69 per cent increase in interim pre-tax profits yesterday buoyed by significant cost cutting and reduced net interest expense.

Profits in the six months to September 30 increased to £26.1m compared with £15.4m last time on turnover which edged higher to £830.2m (£821.7m).

The sharp increase in pre-tax profits was underpinned by a jump in operating profits which grew to £31.5m (£26m) and the decline in interest costs from £16.9m to £12.4m.

Earnings per share rose to 6.5p against 4.3p and the group plans an increased interim dividend of 5.5p (4.5p).

Commenting on the results,

Mr James Smith, chairman and chief executive, said: "The increase in operating profit reflects the benefit of our cost reduction programmes and the continued strategic development of our portfolio of electricity purchase contracts."

He added that the group also saw a useful increase in sales to the competitive non-franchise market.

"Profit before tax and earnings per share benefited significantly from reduced interest charges. We are confident of achieving satisfactory results for the full year."

In the core electricity distribution business net units distributed fell by 1.9 per cent, although after adjustments for weather differences and other factors the underlying level of distribution was only margin-

ally lower. Electricity sales to domestic and industrial customers dropped but were offset by a slight gain in units distributed to commercial customers.

The most significant factor affecting performance, however, was the tight control of costs.

In particular, increases in costs of distribution were again kept below the rate of inflation while 400 jobs out of a total of 8,000 have been lost in the last 12 months.

Earlier this week the group announced it was seeking a further 450 voluntary early retirements within the next three months.

Capital expenditure, which totalled £38m in the first half, has been reduced in line with a decrease in new business,

mainly reflecting the impact of the recession on new house-building.

● **COMMENT**
Eastern has the lowest customer tariffs and the lowest added costs per customer among the 12 regional electricity companies and is clearly determined to maintain this edge.

Mr John Devaney, the group's new managing director, has a reputation as an effective cost-cutter and has already set to work. This year pre-tax profits could reach £173m and earnings could reach 45p.

Assuming a dividend increase to 18.7p the shares are on a high prospective yield of 6.2 per cent reflecting caution over Eastern's role as an industry leader.



James Smith: results benefited from reduced interest charges

Spring Ram shares fall again

By Jane Fuller

THE SHARE price of Spring Ram Corporation, the kitchens and bathrooms group, fell 11½p yesterday to 89p following a press report on share selling and a downgraded profit forecast.

The group's market value has collapsed from about £570m to £325m since news emerged on November 6 of false accounting at its Ballymore Bathrooms subsidiary.

Yesterday's report in the Daily Mail suggested that British Steel pension fund had sold a tranche of shares. This turned out to be untrue.

County NatWest said it had placed 8.2m shares on Wednesday at 99p. "We did it in six minutes and it was oversubscribed," said Mr Angus

Phaure, building materials analyst.

However, he had downgraded his profit forecast for this year from £42.5m to £40m, before exceptional items. These will include additional losses of up to £3.5m at Ballymore offset by a £5.5m gain on the sale of unused ACT capacity.

A pre-tax figure of £40m would represent a 6.5 per cent increase on last year's £37.6m.

Asked about current trading, Mr Stuart Greenwood, finance director, said the group was operating in tough markets. "December is very important to us and all of that is before us."

Over the next couple of weeks directors will meet shareholders and analysts to answer questions about Ballymore, where a recurring question

has been: why is the loss so big - £5.5m in a subsidiary that only turned over £10m?

Mr Greenwood said that the number was a maximum and the problem went back to 1989. He said the figure would include all the factors leading to an overstatement of profits: stock quantities, stock values, invoices, accruals and so on.

Ballymore had apparently been building up stock rapidly - from £1.5m to £3.85m during 1990 and to more than £7m by the end of last year, but the build-up was illusory.

Questions may also be asked about share sales by two directors in April. The company has said it thought the Ballymore problem had been dealt with by then. The much greater extent of the falsification was not discovered until May.

Syltöne warns of halt to year-end profit growth

By Matthew Curtin

SYLTÖNE, the transport engineering group which makes ancillary systems for trucks, warned yesterday that six years of steady profit growth were likely to come to a halt by the March 1993 year-end because of recession in the UK and Europe.

Syltöne shares fell 15p to 248p on the announcement. Although the group reported a 4 per cent increase in pre-tax profit to £1.22m (£1.17m) in the half-year to September, Mr Mike Clewes, finance director, said sales to Europe which had sustained Syltöne through the UK recession, had dried up in the last quarter.

Turnover amounted to £17.35m against £16.94m.

Mr John Marsh, managing director, said: "The current six months are going to be rough, but I've no problems about the future from then on." The group's UK business was picking up and the devaluation of sterling would lift exports, he stated.

In addition, Mr Marsh pointed out that new products were being launched, operations in the Middle East and Far East were making slow but steady progress, and the balance sheet was strong.

Trading profit was unchanged at £1.3m while the pre-tax figure was after lower interest charges of £78,000 (£117,000).

The interim dividend is held at 3.15p, but earnings per share slipped to 8.25p (8.4p).

Control Techniques rises 50% to £6.22m

By Paul Taylor

CONTROL TECHNIQUES, the Powys-based electronic drives group, reported a 50 per cent increase in full year pre-tax profits yesterday, and announced plans for a significant expansion of its overseas marketing and sales operations.

Pre-tax profits increased from £4.15m to £6.22m in the year to September 30 after rationalisation and closure costs of £1.02m, mainly related to the sale of its process control division.

Turnover grew by 26 per cent to £88m largely reflecting the acquisition of ICD Drives in the US last year. Excluding ICD, turnover grew by 3 per cent. Mr Trevor Wheatley, chairman, said the integration of ICD had proved costly but was now nearing completion.

Earnings per share increased to 9.7p (7.7p) and a proposed final dividend of 4.7p makes a 6.85p (6.5p) total.

Mr Wheatley said the strategy of growth by acquisition in order to reach the "critical mass" in the core manufacturing business had been achieved, together with a streamlined and automated manufacturing capability.

As a result, the group planned to focus on organic growth by opening a further 30 sales and marketing CT Drive Centres overseas in the next couple of years. Currently it has 15 overseas offices with another six under negotiation.

The chairman added that research and development expenditure, totalling £2m in 1992, would be increased by 20 per cent in the current year.

Adverse exchange rates hold Scapa back to £20m

By Peggy Hollinger

ADVERSE exchange rates held back growth at Scapa, a manufacturer of papermaking and printing equipment with a third of its business in the US, as it revealed virtually flat pre-tax profits of £20m for the first half.

Mr David Dunn, finance director, said the weak dollar in the first half had depressed US profits by £1.4m. However, if the effects of the pound's devaluation continued throughout the rest of the year, "the big hit in the first half would be reversed".

Acquisitions in the US, Europe and Scandinavia helped Scapa report an 11 per cent increase in sales to £156.9m for the six months to September 30. Mr Bill Goodall, chairman, said all of the group's divisions had "turned in encouraging results" given the difficult market conditions.

Europe showed the strongest growth, with sales up 84 per cent to £41.3m and operating profits jumping 66 per cent to £4.4m.

Mr Dunn said the increase was solely due to the acquisitions of Scandiafelt of Sweden and an Italian filtration company. These had more than offset a setback in engineered rolls, which had been affected by the decline in installation of papermaking equipment.

Sales in the UK remained steady at £55.4m (£56.6m), although profits fell 17 per cent to £2.4m.

The industrial materials division in the UK had been "the one bright spot in the UK", Mr Dunn said, with significant benefits from integrating some

of the Italian filtration business.

Sales in North America were £3m lower at £52.2m when translated into sterling, although they actually increased in dollar terms due to acquisitions.

Mr Dunn said that stripping out currency factors and acquisitions, sales had been totally flat. Operating profits fell 5 per cent to £11.9m.

North America was proving the most favourable of Scapa's sectors, said Mr Dunn, although as yet there were no reliable trends.

The dividend was increased by 5 per cent to 1.5p. Earnings per share were depressed by exchange rates, and the £55.6m rights issue in May 1991, falling from 6.3p to 5.7p.

● **COMMENT**

Scapa has been running hard to keep up and it appears to be succeeding. Margins are under pressure, but not as severely as had been expected. Management has so far moved quickly to cut costs, thus retaining a competitive edge as paper manufacturers begin to use fewer suppliers. The downside of protecting margins has been an increase in stocks and debtors, adding an even heavier working capital burden to an already investment-hungry business. This might ease a bit in the second half, but not by much. Further growth should come from more acquisitions - Scapa has a £70m cash war-chest - and a hefty currency gain if the rates stay anywhere near current levels. Forecasts are for £47m which, on a prospective p/e of about 16.5 times, leaves the shares looking fairly valued.

NEWS DIGEST

Holmes & Marchant in the red

HOLMES & Marchant, the marketing consultancy group, announced pre-tax losses of £160,000 for the year to September 30. There were profits of £2.1m last time.

The loss was after an exceptional charge of £1.29m (£594,000) relating to reorganisation, empty property costs and provision against property values.

Mr John Holmes, the chairman, said the losses at OCD in Spain, referred to in the interim report, had continued into the second half. As no upturn was expected for the current year the group's 75 per cent interest had been sold to its president.

Losses relating to the disposal are shown as an extraordinary charge of £2.87m.

Mr Holmes said that cost benefits from the recent reorganisation would continue in the first half of the current year.

Turnover fell to £37.4m (£46.3m). Losses per share amounted to 1p (7.3p earnings) and again there is no final dividend.

Oceonics up to expectations

Pre-tax profits at Oceonics Group, the provider of survey and positioning services, were £2.06m in the six months to September 30, compared with £2.42m. The company said the overall result was in line with expectations.

There were improved performances in Nigeria, UK Marine Survey division and Denmark. However in the eastern hemisphere operating profits fell.

Turnover for the period was £20.6m (£19.7m). Net interest payable fell to £161,000 (£263,000) as a result of healthy

cash flow and the rights issue. Earnings per share came out at 0.8p (1.2p).

There was an exceptional charge of £106,000 relating to an exchange loss suffered on the pound's devaluation. However, there was a £270,000 currency gain on the retranslation of the group's interest in the net assets of overseas subsidiaries which was taken to reserves.

An extraordinary charge of £292,000 was made to cover costs of a former offshoot for which it is acting as guarantor, less a profit on sale of equipment.

Western Selection £24,800 in the black

Western Selection, the principal activity of which is the holding of substantial stakes in two investment companies - Creston and Burlington Group - reported a pre-tax profit of £24,800 for the year to end-September.

That compared with a deficit of £303,000 last year and came from total income of £103,100 (£177,100). Earnings per share were 0.5p (losses 2.51p). Net assets per share at September 30 were 11.46p (17.22p).

James Latham lower at £54,000

James Latham, the timber importer and builders' merchant, reported pre-tax profits of £54,000 in the six months to September 30, against £121,000 which included a property profit of £370,000.

The company said that importing had seen some margin improvement but elsewhere progress had been patchy. On the advice of consultants unprofitable Timber Centres branches were being cut and central overheads reduced.

Turnover was £31m (£30.5m). The interest charge was £616,000 (£707,000). Earnings per share came out at 0.29p (0.32p) and the interim divi-

dend is being maintained at 1.5p.

Wrexham and East Denbighshire Water

Pre-tax profits of Wrexham and East Denbighshire Water Company showed an 87 per cent increase, from £572,000 to £1,071m, in the six months to end-September.

The outcome was achieved on turnover up by £223,000 to £5.15m. The improvement in the turnover figure was partly the result of an increase in metered consumption of more than 5 per cent, the company said.

Drayton Blue Chip restated figures

Drayton Blue Chip Trust yesterday circulated restated figures for the half year to September 30 to bring them into line with accounting policy adopted for the year to end-March 1992.

Net asset value per income share at September 30 is restated at 88.1p, against 60.5p at the March 31 year end and 88.4p a year earlier.

Net revenue for the six months was £510,000, against £575,000.

Scottish Hydro-Electric plc

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 1992

"These are very satisfactory first half results and we are well on target for a strong full year performance."

- Turnover increased by 6.8 per cent
- Operating profits improved by 25.4 per cent through improved prices and sales volume both north and south of the Border together with fuel cost savings
- Interim dividend increased by 10.8 per cent.

"These are very satisfactory results which put us well on target for a strong full year performance."

"Our profit before tax has increased 66.4 per cent to £40.6 million and earnings per share are up 55.1 per cent at 7.93p. We remain optimistic about the full year's trading figures."

"The north of Scotland business showed improved sales with underlying volume growth of around 2 per cent. Retail turnover in the shops is up 15 per cent. Electricity sales to England and Wales increased by 20 per cent to £60.3 million."

"An improved operating margin resulted from the switch to Miller Gas at Peterhead, together with higher summer rainfall. This was partly offset by higher nuclear costs."

"Both the upgrading of the England/Scotland interconnector due in late 1993 and our joint venture power station with NORWEB at Keadby are on schedule."

"We recently announced that Lord Wilson of Tillyorn is to become our Chairman in April next year. I believe David Wilson to be a very sound choice and I am delighted to be handing over to a Scot of such wide experience."

"In December we shall redeem £116 million of 11.5 per cent Government debt due in 2001, largely from cash, in order to reduce future interest costs."

"So far the north of Scotland has fared relatively well in the face of recession. We have seen falls in electricity sales volumes to some of our industrial customers outside Scotland but we have been able to switch the capacity released to serve new customers. The second half of the year has started satisfactorily and we remain confident about our business, and our team's determination to deliver excellent performance."

Sir Michael Joughin CBE

GROUP PROFIT AND LOSS ACCOUNT (UNAUDITED)			
	6 months to 30 September		Year to 31 March
	1992	1991	1992
	£m	£m	£m
Turnover	301.0	281.9	667.4
Operating profit	50.3	40.1	150.6
Net interest payable	9.7	15.7	27.9
Profit before taxation	40.6	24.4	122.7
Taxation	10.2	4.8	25.7
Profit for the period	30.4	19.6	97.0
Dividend	13.6	12.5	38.0
Retained profit	16.8	7.1	59.0
Earnings per share - pence	7.93	5.11	25.30

BALANCE SHEET (UNAUDITED)			
	At 30 September		At 31 March
	1992	1991	1992
	£m	£m	£m
Fixed assets and investments	928.9	894.8	917.7
Current assets less current liabilities	64.5	27.0	56.5
Long term liabilities and provisions	(395.5)	(388.1)	(392.0)
Net assets	597.9	533.7	581.3
Share capital and reserves	597.9	533.7	581.3
Net borrowings	122.9	221.8	174.3
Gearing	20.6%	41.6%	30.0%

CASH STATEMENT (UNAUDITED)			
	6 months to 30 September		Year to 31 March
	1992	1991	1992
	£m	£m	£m
Net cash inflow from operating activities	84.4	84.8	209.2
Extraordinary item - privatisation costs	0.0	(7.9)	(7.9)
Net cash outflow from returns on investments and servicing of finance	(0.3)	(12.2)	(47.8)
Net cash outflow from investing activities	(33.6)	(55.7)	(97.9)
Increase in cash and cash equivalents	50.5	9.0	53.6

NOTES ON THE HALF-YEAR FINANCIAL STATEMENTS

1 The interim financial statements for the half-year ended 30 September 1992, which are unaudited, have been prepared on the basis of the accounting policies adopted by the Company for the year ended 31 March 1992 as set out in the Annual Report and Accounts. These accounts, which contained an unqualified report, have been delivered to the Registrar of Companies.

2 Whereas last year's interim statement and the Annual Report and Accounts for the year ended 31 March 1992 contained pro forma figures which were prepared on the basis that the Company's new capital structure took effect from 1 April 1991, no pro forma figures have been prepared this time on grounds of immateriality. Had an identical basis been adopted, the retained profits for the six months to 30 September 1991 and the year to 31 March 1992 would both have been £1.6 million more.

3 An interim dividend of 3.5 pence (1991 - 3.25 pence) per share will be paid on 24 March 1993 to shareholders on the register on 25 February 1993.



REGISTERED IN SCOTLAND, 16 ROTHESAY TERRACE, EDINBURGH EH3 7SE

GOLD FIELDS OF SOUTH AFRICA LIMITED

(Incorporated in the Republic of South Africa) (Registration No. 05/04181/0/3)

CONVERTIBLE REDEMIBLE CUMULATIVE PREFERENCE SHARES

DECLARATION OF DIVIDEND

Dividend No. 17 of 145 cents per preference share for the six months ending 31 December 1992 has today been declared by the Board of Directors of the company in accordance with the provisions of the company's Memorandum and Articles of Association.

Dividends payable on 27 January 1993 will be paid to preference shareholders on 26 January 1993. The conditions relating to the payment of dividends are contained in the share transfer documents and the London Office of the company.

Requests for payment of the dividend in South African currency by members on the United Kingdom register must be received by the company on or before 12.00 on 24 December 1992 in accordance with the above-mentioned conditions.

The register of members will be closed from 25 December 1992 to 1 January 1993, inclusive.

By order of the Board
per GOLD FIELDS CORPORATE SERVICES LIMITED
London Secretary
S.J. Durand, Secretary
United Kingdom Registered
Barbara Pegibet
Registered Office
24 Boulevard Royal
Buckingham
Kent MK9 4UJ
9 December 1992
A member of the Gold Fields Group

the exchange
old Scapa
£20m

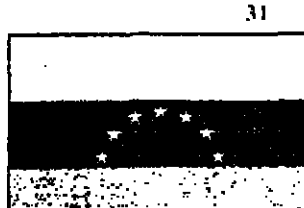


الوقت في

FINANCIAL TIMES SURVEY

VENEZUELA

Friday December 4 1992



One of Latin America's most consistent democracies has just witnessed the collapse of its second army rebellion in 10 months. Stephen Fidler contrasts its political and social turmoil with its high-speed economic expansion

A nettle to be grasped

For the second time in a year, members of the Venezuelan armed forces failed on Friday in a violent attempt to unseat the elected government of Carlos Andrés Pérez. The attempted coup reinforced the impression of a country simmering with political, social and military discontent, of an unstable society about to boil over.

Since the first coup attempt in February, the government of President Carlos Andrés Pérez has been embattled at loggerheads with Congress and deeply unpopular in the country at large.

Yet Venezuela is an enigma. One of the continent's longest-standing democracies, it has been ruled by elected governments since 1958. With its vast reserves of oil, its problems are, on the face of it, the most tractable in Latin America.

At the same time its economy has been the fastest-growing in the world last year, expanding 10.4 per cent, after 1990 growth which approached 7 per cent. This year growth will probably exceed 8 per cent.

While some of this growth may be down in part to an influx of illegal drugs money over the country's newly open borders, it cannot be denied that the poor are benefiting. Consumption of basic foodstuffs has risen spectacularly. The Venezuela-American Chamber of Commerce, whose membership has a good grasp

of the subject, reports sales of processed foods in October up 24 per cent on a year earlier. The government says recent growth has only been possible because the private sector has been freed by the Pérez administration's economic deregulation programme.

The lifting of controls has had other effects which, in the view of some government supporters, provides a clue to the political opposition which the government has encountered and which have blocked further attempts at reform.

"One of the reasons for the political turmoil is that the economic programme has made political favouritism a dying industry... Price controls, import controls, exchange controls, credit controls have all gone. That affects a whole segment of the economy and has a big impact on the patronage that was oiling a big political sector," said one minister.

These measures, the government's chronic shortage of money and the relentless vigilance of an aggressive press have probably reduced opportunities for corruption, even as the country has become progressively more obsessed by it.

The government has also alleviated some of the worst effects of its policies on the poor, through food support programmes which have replaced, for the most part, generalised food subsidies. The govern-



A wealthy and diverse nation with rising expectations: (left to right) mother and child in the central plains, or Llanos; a square in Caracas; a freelance gold panner in the wild southeast

ment spends 10 per cent of its budget on these programmes and plans to increase their coverage next year.

This is not to say that Venezuelans - whose per capita annual income of \$2,450 is hardly changed from 15-20 years ago - do not have legitimate grievances. The president has aggravated these concerns by appearing aloof and isolated. A man with the political skills to persuade Venezuelans of the importance of economic reform, he has failed to do so.

The government's most significant failure is its inability to improve much on the abysmal levels of public services. "I've doubts about the meaning of growth," said Mr Ramon Pinango, academic director at IESA, the leading business school. "Public services are getting worse: education is deteriorating, so is health care, and public safety is getting worse."

Government utilities - or

rather their customers - are suffering from a lack of maintenance of plant installed in the oil boom years of the 1970s. Large areas of Caracas, for example, are suffering cuts in their water supply for days on end.

Some efficiencies can be obtained by improving management of the current system. There are also signs of a possible way ahead through the decentralisation of the political system. In a country where teachers are regularly found to be functionally illiterate, education standards in some states have been raised by requiring teachers to pass tests before they are employed.

Privatisation offers a solution to other problems: private ownership or management of utilities enables cash-short governments to encourage investment.

The disaffection within the military is in part another manifestation of the govern-

ment's inability to distribute the kind of largesse to which its citizens and employees became accustomed in the 1970s.

In part, too, it reflects the loss of a sense of purpose and of prestige in the military, which now faces neither political extremism nor threat from neighbouring countries.

Unless and until the government tackles the issue of shrinking the armed forces - allowing it to raise salaries and improve conditions of service - military unrest looks likely to remain an unpredictable possibility which future governments (and prospective foreign investors) will be unable to ignore.

The crisis in Venezuela's public services has arisen largely because the 1970s oil price boom allowed the post-pone, by successive Venezuelan governments, of tough fiscal decisions forced on most other Latin economies in the

1980s. It was left to the Pérez government to attempt to wean Venezuelans away from their overdependence - financial and psychological - on oil. In a \$50bn economy in which, even during the bad times, oil generates \$10bn in export revenues, this has proved no mean task.

Sooner or later a Venezuelan government will have to grasp the fiscal nettle: it will need to induce Venezuelans to pay the proper price for the goods and services they receive and to pay taxes.

This should not be as difficult as it is proving. The government's non-oil revenues are equivalent to a meagre 5 per cent of GDP. Clamping down on tax evasion - as has occurred in Argentina - could yield big benefits, because some estimates suggest that only 35 per cent of taxes due are paid. Raising petrol prices - now the lowest in the world - to international levels would

alone yield 2.5 per cent of GDP, according to calculations by Petróleos de Venezuela.

Only when the government is in control of its finances can it start - in conjunction with sectoral reforms - to raise the appalling standards of public services.

This will involve a recognition - among politicians, trade unionists and the wealthy and middle-class Venezuelans whose opposition to reform has been most articulate - that their stake in the country will require them, just like the citizens of other countries, to pay taxes.

This in turn will require a sense that the political system itself is worthy of support: a belief that may be fostered by the increasing number of local and national politicians who will be directly elected in forthcoming elections.

The government is optimistic that after Sunday's local elections some of the reforms it

IN THIS SURVEY

- **Economy:** the irony of a spectacular boom amidst social and political turmoil
- **Oil industry:** wrestling with weak world prices and high domestic taxes, sticky prospects for an inflammable mixture of tar and water... PAGE 2
- **Finance:** congressional support grows for tighter control of the banks
- **Foreign investment:** overseas partners queue up as privatisation gathers pace
- **Petrochemicals:** refineries open their doors to foreign partners... PAGE 3

has been pushing, including a modest tax change, will be passed. More fundamental change will probably have to wait until after congressional and presidential elections at the end of next year.

What will happen after that is a matter for conjecture. Currently, the country's two most popular figures both reflect a wish for a return to the past: Lt Col Hugo Chávez, the leader of the February revolt, and Mr Rafael Caldera, a distinguished 77-year-old former president who represents the political old guard. Mr Caldera, not yet an official presidential candidate, is unwilling to be too specific about his platform, but he makes no secret of his wish to reverse some reforms of the current administration. He would also seek, he says, further alleviation of Venezuela's foreign debt.

The prospect of a Caldera government worries many businessmen and bankers.

With little prospect of another oil boom, whoever takes office in February 1993 will face tough choices. Perhaps the failure of Venezuelans to heed the military's call for a popular rebellion last Friday reflects a sense that even for a society with huge oil reserves, there are no magic solutions.

On the other hand, the rebellion will cast a pall of uncertainty over 1993 and may fatally damage the long-term confidence of investors.

LESSONS OF THE COUPS THAT FAILED

Jittery prelude to a year of elections

VENEZUELA'S political system was pushed into crisis in February by a military uprising aimed at toppling the elected government of President Carlos Andrés Pérez. It is too early to tell whether last week's second abortive coup of 1992 will further retard - or accelerate - efforts to restore stability to the system.

The small group of officers who led the February rebellion in the army said, among other things, that they wanted to eliminate corruption in the political and military establishments, get rid of a vitiated political system, and economic policies that condemned most Venezuelans to poverty, and guarantee Venezuela's sovereign rights in dealings with foreign powers.

Last week's attempt suggested the disaffection spread further into the armed forces than had hitherto been expected, with units of the air force, navy and national guard joining the army in the rebellion.

The rebels' February statements struck a chord among Venezuelans, but after the November putsch the public reaction appeared more negative. Many people appeared to reject military government. The attempted coups, actions not seen in Venezuela since the days of left-and-right-wing violence in the early 1960s, unleashed waves of anti-government and anti-system sentiments, and pushed the political parties into crisis.

The military remained uneasy after February and political violence erupted when a small group of civilians tried to assassinate individuals they identified as corrupt. Violent street protests organised by leftists and students caused widespread public concern during the first half of the year, but tapered off after July. Last week, military appeals for people to take to the streets in support of the rebels were largely ignored.

President Pérez, whose five-year term of office is due to last until February 1994, has had to fight off public calls for his resignation, and his administration has been under constant attack for its support of free market reforms and its



A second warning: looters flee after last week's attempted putsch

failure to make any significant improvements in public services such as water, health, education, transportation and public safety.

The two main political parties, President Pérez's Acción Democrática (AD) and the main opposition group, the Christian Democrat Copei Party, have been wracked by divisions and contradictions.

Sometimes supporting Pérez on key issues, the two groups have also attacked his government on fundamental policies. They have failed either to establish a clear line of support for the beleaguered government or to offer a coherent and credible opposition.

Pérez's AD party has been sharply divided over his economic policies since the first months of his presidency. Only two small leftist parties, MAS and Causa R, have been consistent in their demand for his resignation and the scrapping of economic reforms initiated in 1989.

Most people now focus their anger on President Pérez, blaming him for practically everything that is wrong in Venezuela.

Ironically, it is Mr Pérez, a product of the old system (where a small group of AD and Copei leaders controlled most major policy decisions) and a man severely criticised for allowing widespread corruption during his first presidential term in 1974-78, who for nearly four years has made the greatest efforts at reforming Venezuela's economic and political systems.

Public opinion polls taken since February consistently gave Mr Pérez and his administration very low approval ratings. (They also received poor ratings before the putsch.) And to varying degrees, most of the country's prominent politicians - including the AD and Copei leaders who want to run for president in 1994 - also obtain poor rankings.

Two figures have remained highly popular since February: Lt Col Hugo Chávez, who led the February uprising, and former President Rafael Caldera, the founder of Copei who was chief executive from 1969-74. Chávez, who has become something of a folk hero, is still in jail awaiting a court martial.

Mr Caldera, 77, is widely respected for his honesty and intelligence. His popularity rocketed on the day of the February revolt when, in an impassioned speech to Congress, he said it was difficult to ask Venezuelans to sacrifice themselves to defend a regime that failed to feed the people.

The former president currently is a leading potential candidate for the presidential race in 1994, in competition with his former protégé, Mr Eduardo Fernández, secretary general of Copei. Mr Caldera and Mr Fernández fell out after the younger politician defeated the Copei founder in a vote for the party's last presidential candidacy. If Mr Caldera cannot reconquer his party for the 1994 campaign, he is likely to run as a candidate for the socialist MAS.

After the February putsch the president promised to install a constituent assembly to reform the Constitution. But the Congress, dominated by AD and Copei, ignored the idea and developed a long and controversial list of amendments it planned to approve this year or next.

These proposals were shelved after the Venezuelan media proprietors started a public campaign against changes that would restrict ownership of media by individuals and economic groups, and oblige them to allow a "right to reply" from citizens attacked in the press.

Venezuelans are scheduled to elect state governors, mayors and city councils in elections on Sunday but the outcome is unpredictable. It is already clear, however, that most Venezuelans oppose the Pérez government's economic policies.

The main uncertainty is how many people will bother to vote. Abstention in regional elections in 1989 reached 54 per cent nationwide and 73 per cent in Caracas, despite the fact that voting is obligatory under Venezuelan law. A high abstention rate would probably favour AD and Copei which are geared to "get out the vote" for their candidates.

Elections to choose a new president, national Congress and state assemblies are scheduled for December, 1993. In past years, it was clear by this stage who the main candidates would be. But now the outlook is clouded by turmoil within the two main parties.

Venezuela's military, like most of the population, wants sweeping reforms. For the time being the rift between middle-rank officers (who generally want rapid change) and the high command (who have supported Mr Pérez and the institution of the presidency) has not caused problems.

Venezuela's political system, like the economy, is undergoing a transition that probably will take several years. Despite many efforts to derail his reforms, Mr Pérez has indirectly shaken up the traditional power of Venezuelan politicians who served as intermediaries for businessmen, students and other favour seekers under a highly controlled bureaucracy.

By opening up the Venezuelan economy and reducing government interference, he has dramatically reduced opportunities for corruption, as well as the power of party leaders and followers to "get things done".

Joseph Mann

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IBERIA

VENEZUELA 2

Stephen Fidler examines the irony of an economy booming in the midst of political turmoil

Drawbacks of over-reliance on oil

VENEZUELA represents one of Latin America's great puzzles. A country that for the last three years has enjoyed one of the fastest economic growth rates in the world is suffering political and social turmoil, two military coups in the space of a year, all supposedly because of an economic austerity programme.

Yet there is little evidence of austerity. After growing 6.5 per cent in 1990 and 10.4 per cent last year, the Venezuelan economy will probably expand this year by more than 8 per cent. Growth from the third quarter last year to the third quarter this has been 10.6 per cent; in the first nine months of this year, the non-oil private sector grew by 13.4 per cent.

President Carlos Andrés Pérez's first year in office, 1989, was indeed tough, with the economy shrinking by 9 per cent. Since then, however, growth has been impressive and not only to the benefit of the rich.

There is strong evidence to suggest that Venezuela's poor have been significant beneficiaries too. Sales of processed foods in October were 24 per cent higher than in October 1991, and are predicted to continue to show strong growth.

Unemployment has dropped by some 100,000 people on the last 12 months, to around 7.7

per cent of the workforce, ignoring an informal economy which is also said to be livelier. The government estimates that with the 170,000 people who joined the workforce over the last year, some 270,000 new jobs have been created, nearly all in the private sector. Real wages have been rising.

According to the government, far from creating economic austerity, its economic reforms have unleashed the productive potential of the private sector. "Three years down the road you can see the policy is paying off in generating

Unemployment fell by 100,000 to 7.7 per cent of the workforce

higher living standards," says Mr Ricardo Hausmann, minister of planning. These reforms — which have included the lifting of a raft of government controls on prices, foreign exchange, imports and credit — have yielded other

benefits, such as a flow of new products into the Venezuelan market. Price controls, for example, discouraged pharmaceutical companies from introducing new drugs into the Venezuelan market. Now, able to set prices to make a profit, the companies are introducing new products into the country.

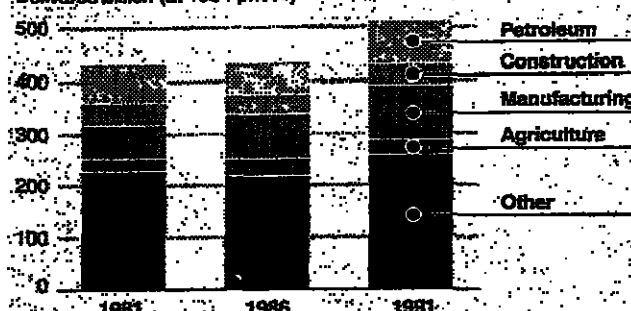
Unsurprisingly, there are signs that the economy is overheating. Interest rates were sharply increased in October to prevent a run on the currency to levels likely to slow growth next year.

The government is also behind others in Latin America in securing control over its own finances. This problem is not entirely of its own making, since it has not yet been able to secure support for tax reform proposals from a truculent Congress.

A budget deficit of 3.4 per cent this year seems unlikely to be significantly improved upon next year. Although the government argues that the state oil company's borrowing should not be calculated as

GDP by sector

Billion (at 1984 prices)



Source: Ministry of Development Bank

part of the government deficit, this is a factor which will make it difficult for the government to bring down inflation from its present level of nearly 35 per cent.

Part of the problem stems from the country's historical overdependence on oil, which still accounts for four-fifths of exports and the same proportion of government revenues. As a result, the country's economic fortunes are too closely

tied to the volatile oil market.

This means, for example, that the government raises only 5 per cent of GDP in non-oil taxes, the rest coming from Petros de Venezuela (PDVSA), the state oil company. So, when oil prices drop, not only does the current account swing into deficit but so do the government finances.

In the 1970s, when oil prices were rising, the government used the state oil company as a

milch cow; in the 1980s, it never got out of the habit.

Now, however, it has some hard choices to make. The transfers to the government required of Petros de Venezuela threaten to become too high to sustain the company's investment programme, needed in part to ensure it is adequately equipped to meet tougher environmental standards for oil products in the US and elsewhere.

The government's solution has been to slow PDVSA's investment programme, encourage more private investment in the oil industry, cut government spending in other areas and attempt to enlarge its tax take from other sources.

The government has made some changes to the tax code — such as raising penalty rates for non-payment — and secured passage of a public credit law, which prevents the government from giving guarantees to public or private sector enterprises and stops the military from issuing promissory notes.

Other tax changes (watered down from the government's original proposals) await approval from Congress, including a sales tax and a business assets tax. But, even if passed, most private observers say the government's estimate that the new taxes will raise 3 per cent of GDP next year is over-optimistic. It has also introduced other legislation, which would provide for a more independent central bank and speed the privatisation process, for example by allowing the sale of enterprises through capital markets.

Stopping tax evasion could almost double non-oil tax revenues

Government finances should be helped somewhat by the sharp devaluation in October of the bolívar: since much of its income is related to international oil prices, a devaluation boosts government revenues in local currency. However,

partly because of the negative impact on inflation and on foreign investment (which held up remarkably well in the first half of the year despite the coup attempt), it does not provide a long-term solution.

Ironically, such a solution might be simpler in Venezuela than in some other countries. Because the non-oil tax take is so low, increasing it significantly should be quite easy.

Finance officials estimate that stopping tax evasion could almost double non-oil tax revenues. PDVSA reckons that charging Venezuelans international prices for gasoline (rather than the 6% US cents a litre they currently pay) would raise an extra \$1.25bn a year for the oil company.

The oil company estimates that fuel prices only account for 8 per cent of the cost of public transport, so the impact on the poor of a petrol price increase would be limited.

If the impact on social equity was still viewed as important, subsidies for public transport — along the lines of the successful direct food subsidies for the poor that have mostly replaced generalised subsidies — could be introduced.

Such solutions are, however, likely to be politically too hot to handle before next year's congressional and presidential elections.

Oil industry tackles opposing pressures, writes Joseph Mann

Squeezed between rising taxes and depressed prices

VENEZUELA'S national oil company, Petros de Venezuela S.A. (PDVSA), faces some serious difficulties which are not of its own making.

PDVSA, with 1991 gross international sales of \$32.5bn, is squeezed between weak oil prices and steep taxes and investment requirements. While the company remains well-managed, efficient and profitable, the current situation has produced serious cash flow problems and has forced PDVSA to acquire nearly \$5bn in debt, having been debt-free only a few years ago.

It also has been obliged to stretch out its capital investment programme and seek international equity partners for projects in petroleum sectors that previously had been off limits to private investment.

Like other major international oil companies, PDVSA is suffering from the effects of low oil prices on world markets. This year, the average export price for PDVSA crude and refined products through mid-November fell below last year's price of \$15.92 per barrel. The export price was \$20.33 per barrel in 1990 and \$17.85 per barrel in 1989.

And, like other big suppliers of refined petroleum products to the US market, PDVSA — the world's third largest oil refiner — must spend large sums on upgrading its refining complexes in order to meet

tougher environmental standards for key export products such as gasoline.

PDVSA expects to invest at least \$3.6bn in refinery improvements over the next several years to meet or exceed provisions of the US Clean Air Act, and to ensure compliance with environmental regulations in other places where it sells refined products, especially Europe.

These investments are also aimed at permitting PDVSA's home refineries to process increased volumes of heavy crude, which is abundant in Venezuela. (Apart from four refining complexes in Venezuela, PDVSA wholly or partially owns large oil refining and petrochemical plants in the US and Europe.)

In addition, PDVSA must constantly invest huge sums in crude oil production. The country's oil fields suffer a potential decline in output of 22-23 per cent per annum, which means that PDVSA must invest over \$2bn a year simply to maintain crude output at the present capacity level.

The company is also building new production potential, which requires even greater investments. Its target is to raise crude oil production capacity from the current level of 2.8m b/d to 4m b/d by 2002. "PDVSA must grow," said Mr Alirio Parra, Venezuela's Minister of Energy and Mines.



Gustavo Roosen, PDVSA's president cash shortage

At the same time, PDVSA is being slowly strangled by a heavy tax burden at home. The company currently pays at least 82 per cent of its operating profits to the Venezuelan Treasury in taxes and royalties. (The maximum corporate tax rate for companies outside the oil sector is 30 per cent.)

And since the Venezuelan government relies on oil to provide most of its revenues (despite years of talking about diversification), a dramatic reduction in PDVSA's tax burden cannot be made overnight. Working together, Energy Minister Parra and the president of PDVSA, Mr Gustavo

Roosen, have been able to develop some solutions to the company's problems, although relief will not be immediate.

The Energy Ministry, which draws up policy guidelines for PDVSA, has eased the company's tax burden slightly this year by adjusting the export value system.

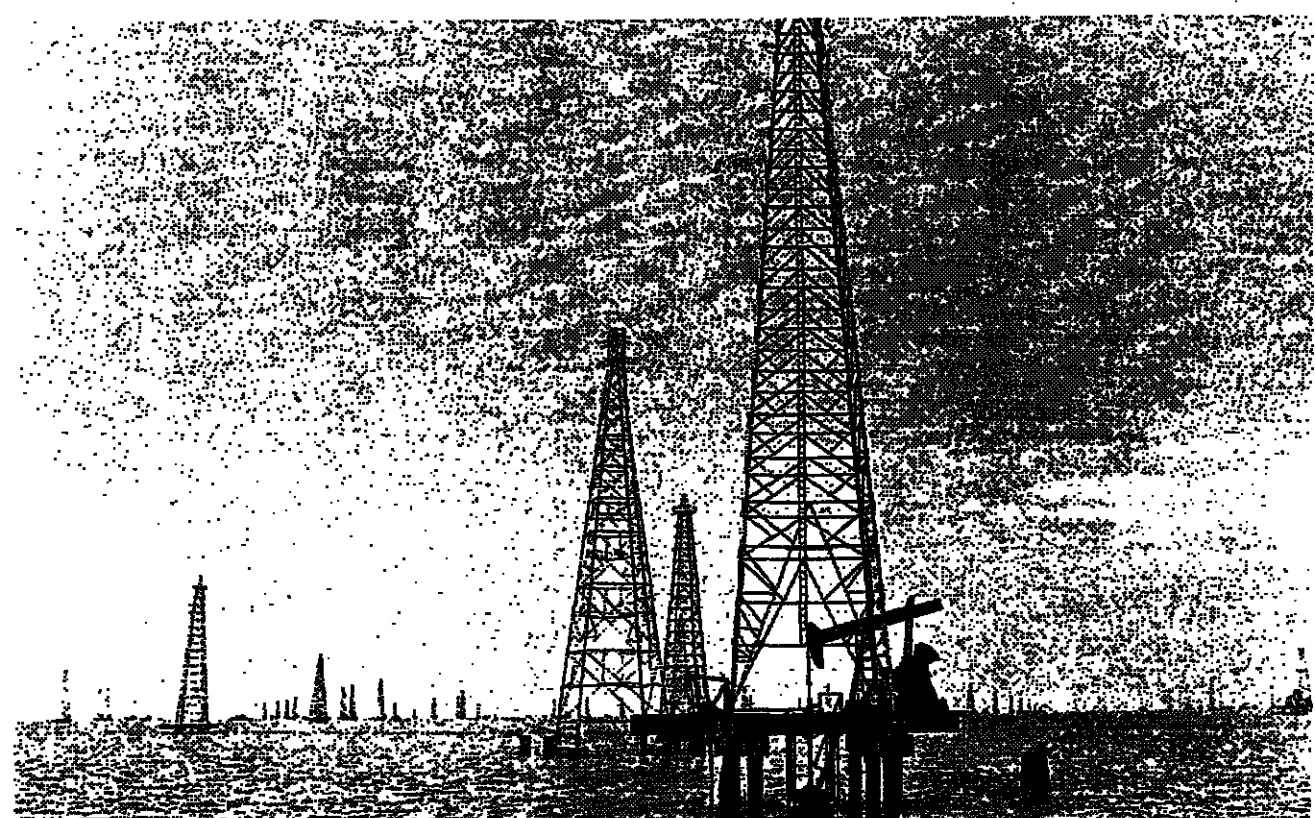
Export values of crude and refined products are used as a base to calculate PDVSA's income taxes. The minister also has introduced legislation that would phase out the export value system on a staggered basis by 1996, and has changed some accounting rules applied to PDVSA's books and tax declarations.

These initiatives will provide substantial tax savings for the national oil company in coming years, but will not pull the fiscal carpet out from under the government.

Other changes are also being studied to ease PDVSA's tax burden. Taken as a whole, these measures should ensure that PDVSA will be able to push ahead comfortably with future investments and continue to generate net profits. The government itself has proposed new taxes, including a version of VAT, that will make it less dependent on the vicissitudes of its main commodity, petroleum.

PDVSA is moving ahead with direct investments in production and refining, which are necessary if the company is to maintain its international market share. But it has stretched out some projects contained in its medium term investment plan, delayed others and is looking to international capital to develop a variety of joint-venture projects in heavy oil refining, natural gas and other areas that were formerly the exclusive domain of PDVSA and its subsidiaries.

"The most limited resource that the petroleum industry has today is money," said PDVSA president Roosen. "I don't want things to be left undone simply because we don't have the cash." The company's current investment plan through 2002 totals \$40bn, at 1992 prices. Of this total, PDVSA will carry out direct capital spending of \$28bn, while it hopes that international investors — either acting alone or in joint ventures with the company — will invest another \$12bn. Apart from newly targeted areas for foreign investment such as oil production and refining, PDVSA has established — or is negotiating — joint ventures with Venezuelan and international partners in natural gas, petrochemicals, coal and Orimulsion, a new fuel that is an emulsion of bitumen and water. PDVSA is marketing Orimulsion as an



Oil wells on the coast of Venezuela: sensitive barometers of the trends in the world oil market and domestic government policy

PDVSA: direct investment 1993-98 (\$bn)	
Sector Investments per cent of total	
Total maintaining production capacity	13/95
Upgrading refineries in Venezuela	3.6/18
Increasing crude oil production potential	1.4/7
Exploration	1.5/8
Venezuelan market	0.252/1
Support activities and others	0.182/1

Proved reserves of crude oil (billions of barrels at year end)	
1976	1987
18,228	58,084
1988	1989
58,504	58,041
1990	1991
60,055	62,650

Source: PDVSA

alternative to coal in electric power plants.

To save money, PDVSA also has cut its operating and capital budgets this year, and will continue controlling costs in 1993. Capital spending for 1992 is expected to reach \$3.7bn, about the same as last year.

PDVSA this year opened the door to limited-scale private investment in oil production. It asked oil companies from Venezuela and abroad to bid on crude oil production contracts covering a series of oil fields that PDVSA itself did not want to reactivate.

As a result, two groups made up of Benton Oil (US)/Vincider (Venezuela) and Tel-

koku Oil of Japan signed operating contracts under which they pledged to invest \$280m over the next 10 years to develop new production from marginal oil fields in eastern Guarico state and southern Monagas state.

The two groups will not own the oil and natural gas they produce, but will turn it over to PDVSA subsidiaries and receive compensation according to the volumes of oil they can pump.

Last month, Energy Minister Parra announced that the government and PDVSA were seeking bids for production contracts on 73 other marginal fields with total proven oil reserves of more than 1.2bn barrels.

Heavy oil is an important resource for PDVSA. Venezuela has the world's largest known deposits of bitumen and extra-heavy crude in the Orinoco Belt, an area that lies north of the Orinoco River. Heavy and extra-heavy crude oils contain high levels of carbon, sulphur and metals that must be removed at high cost before the crude can be processed in normal oil refineries.

PDVSA has two main approaches to developing its reserves of bitumen and extra-heavy crudes. The first is an

international marketing programme for Orimulsion, a fuel composed of bitumen and water that is made by PDVSA subsidiaries. The second involves seeking a foreign partner who can provide technology and capital for developing new production of extra-heavy crudes and converting them into lighter, higher quality oils (called syncrudes) that can be processed in normal refineries.

An upgrading plant using Veba Oel technology to produce 181,000 b/d of synthetic crude oil, for example, would cost over \$4bn. PDVSA has signed letters of intent with more than a dozen international oil companies with the idea of developing strategic business associations in heavy oil.

Due to the long start-up period for heavy oil projects of this type, the government and PDVSA plan to offer investors access to light/medium crudes during the first stages of project development. This would give investors a positive cash flow until the heavy oil processing plant could go on stream. PDVSA is currently considering offers on heavy oil projects from Conoco, Veba Oel, Elf Aquitaine, Mobil and Total.

Particle emissions PDVSA states, are "well within the strictest limits set by developed industrialised countries", and acid smuts are unlikely in power stations burning Orimulsion.

In test spills, a high percentage of Orimulsion disperses of its own accord, the company says.

At the same time, PDVSA's R&D unit, Intervet, has produced a "second generation" of Orimulsion that is supposed to be "cleaner than the first."

Citing the results of independent tests and commercial applications, PDVSA says that Orimulsion produces levels of sulphur dioxide emissions that are lower than those produced by 2.5 per cent sulphur coal and slightly higher than 0.5 per cent sulphur fuel oil.

It also asserts that Orimulsion's high calorific value means that lower volumes will be burned (and thus less sulphur dioxide released) than

are required to adapt plants that burn fuel oil to Orimulsion. However, some serious questions have been raised in the US and the UK about pollution problems that might be associated with this new fuel, including emissions of sulphur dioxide and nitrogen oxide (the two main acid rain gases), particles and others.

PDVSA asserts that Orimulsion compares favourably with other fossil fuels in terms of environmental impact.

The company says that relatively small investments

Joseph Mann on the potential and pitfalls of a new fuel from the Orinoco

Treacly rival to coal and oil

IN the mid-1980s, Venezuela's PDVSA and BP developed a new fuel called Orimulsion.

Orimulsion, now registered by PDVSA as a trade name, is an emulsion made up of approximately 70 per cent natural bitumen by volume, and 30 per cent water, plus a surfactant, or additive to keep the mixture stable.

It is being marketed as a fuel for electric power generation plants and other industrial facilities that generate power.

The motivation for developing this fuel came from the huge reserves of bitumen and extra-heavy crude oil that Venezuela possesses in the Orinoco Belt, the world's largest deposits of their type.

PDVSA has estimated that the Orinoco Belt holds 1.2 trillion barrels of bitumen and heavy oil in place, and that around 270bn barrels can be recovered for commercial use.

Orimulsion has been tested commercially in Canada, Japan and the UK, and PDVSA has signed long-term contracts to

supply the product to power plants in these countries and Spain. PowerGen's Ince B plant is one of the plants in Britain where Orimulsion is used.

In 1991, PDVSA produced 1.1m tonnes of Orimulsion, four times its output the previous year. Sales to international clients reached 885,000 tonnes in 1991, up 700,000 tonnes from 1990.

Through its subsidiary Bitor, as well as joint ventures between Bitor, BP and Mitsubishi, PDVSA is

aggressively marketing Orimulsion internationally. The company's goal is to be producing — and selling — around 4m tonnes per annum by 1996.

PDVSA is pushing Orimulsion as an economical, long-term alternative to coal and fuel oil. It can be transported and stored like fuel oil, and, unlike coal, does not raise dust during transportation.

The company says that relatively small investments

are required to adapt plants that burn fuel oil to Orimulsion. However, some serious questions have been raised in the US and the UK about pollution problems that might be associated with this new fuel, including emissions of sulphur dioxide and nitrogen oxide (the two main acid rain gases), particles and others.

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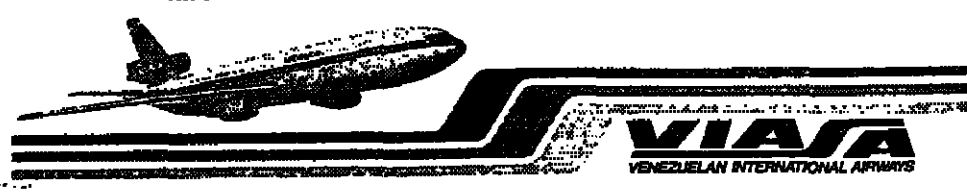
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The 10,000 megawatt hydroelectric scheme at Guri, in Guyana region, is one of the world's biggest

FINANCE

Banks braced for tighter controls

THE Venezuelan financial sector, so far relatively insulated from the government's free market reforms, is expected to face foreign competition and tougher banking standards if legislation scheduled to pass before March wins congressional approval.

The legislation to modernise the financial system has been languishing in Congress for the past 18 months. At long last, however, there appears to be a consensus among the big banks - and therefore an end to opposition from political parties - to endorse changes which would open the banks to increased supervision and disclosure requirements, and permit substantial foreign investment in the banking sector.

Venezuela's financial system is in serious need of reform. The country's existing banking law is limited in scope and not suited to modern financial services. Supervision of the banking system, under the control of the Superintendency of Banks, which is part of the finance ministry, and to some degree the Central Bank, has been traditionally lax.

According to a foreign banker, some commercial banks, the most important group within the country's specialised financial system, "have been doing a lot of non-banking business" that has contributed to low-quality loan portfolios. This includes making loans to companies in which bank executives or directors are themselves investors.

The central bank recently moved to impose more order on commercial banks by enforcing reserve requirements that some banks had ignored in the past. The initiative caused liquidity problems at some financial institutions, which competed for deposits by offering sky-high interest rates, even on savings accounts.

Although impetus for change has come from some Venezuelan banks, international developments have helped. Higher capital adequacy standards, set by the Basel-based Bank for International Settlements, as well as tougher regulations for foreign bank branches operating in the US, have pushed the Venezuelan financial sector to endorse higher standards.

"Venezuelan banks are bowing to the inevitable," said a foreign banker. The legislation would create a stronger, more independent central bank, a strengthened Superintendency of Banks with more oversight authority and independent funding paid by the banks themselves, as well as clearer guidelines for the financial sector.

The current banking law, a patchwork of legal requirements and prohibitions, would be replaced by a modern law which specifies those activities banks may not engage in, but which would permit the banks to carry on any non-proscribed financial activity.

The law would include rules for financial statements, and degrees of permitted concentration in loan portfolios to companies wholly or partially owned by banks or their directors. Furthermore, higher equity ratios would be phased in. New policies in the latter two areas have already been issued in advance.

Opening commercial banking and other financial services to direct foreign investment in subsidiaries, branches or joint ventures has become a controversial issue since large foreign banks already play an important role in financing Venezuelan companies, through 70 rep-

resentative offices or investment banking units.

Wholesale banking operations are likely to continue to attract foreign banks, but it is unlikely that there will be a stampede into the market.

Political uncertainty at the start of a presidential election year would probably also act as a brake to any new foreign investment in banking over the short term. However, some Venezuelan bankers are still worried that their institutions (and power bases), whose stock is often cheap in foreign currency terms, will be taken over by an international bank they remain opposed to opening up the system.

Some Venezuelan commercial banks with large retail networks may welcome a capital injection from a foreign partner. Initially, the new banking law was expected to cap the share owned by foreigners at 20 per cent, but the current legislation leaves the ceiling open to the discretion of the Ministry of Finance.

Freer access to new equity could be a boon to domestic banks. The president of Banco Venezolano de Crédito, Mr. Oscar Cayula, said that local banks need to raise equity to "grow and solidify the private sector".

"We are so small that we couldn't even make a \$100m loan to our state petroleum company, PDVSA. It has to rely on foreign banks for the scale of funding it requires," he said.



Ruth de Krivy, president of the Central Bank of Venezuela

Improving the Venezuelan financial system should pay other dividends in the long run, attracting more foreign capital and investment. Even if Venezuelans repatriated only the annual interest on the estimated \$60bn that they have invested abroad, a big infusion of capital would take place.

Attracting that capital is crucial to Venezuela's future, because domestic financial savings have shrunk. According to one foreign banker, the annual interest on the estimated \$60bn that they have invested abroad, a big infusion of capital would take place.

During the same period financial assets in the hands of Venezuelans abroad are estimated to have tripled from \$20bn to \$60bn. Capital fled the country largely because banks fixed interest rates and because investors lacked confidence in the economy and expected the Venezuelan bolivar to be devalued. "Passage of the banking law will be a small but important step in the right direction," a banker commented.

A more modern banking system operating at international standards and attracting new capital could better channel funds to other investments. With the state-dominated economy now slowly being privatised, increasing opportunities exist for investment.

"Our private sector is still too small," Mr Garcia Mendoza said. "Venezuelans have not saved in Venezuela because there was no place to save." The new banking law could well help change that habit.

Ann Charters

VENEZUELA must be doing something right.

After years of lacklustre growth, direct foreign investment in this South American republic soared by a record \$23m in 1991, from \$440m in 1990 and \$404m in 1989, according to data provided by the government and Conaspi, a joint public and private enterprise that promotes new investment.

Last year's foreign investment results were unexpectedly high because of privatisation of the national telecommunications company, CANTV, which alone netted the Venezuelan treasury \$1.59bn. Some 72 per cent came from international companies participating in the consortium that bought a controlling interest in the CANTV.

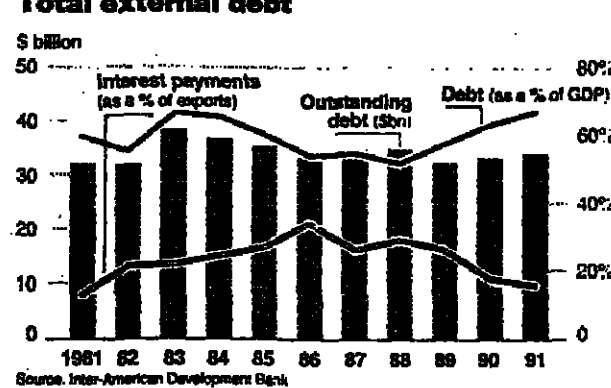
As of last month, privatisations in 1992 had not generated any large capital inflows from international companies. Nonetheless, foreign investment remained strong. According to Mr Ricardo Hausmann, Venezuela's minister of planning, foreign investment during the first eight months of 1992 increased by \$725m - a figure far ahead of 1991 if the CANTV privatisation is excluded. Foreign investment figures include fresh capital outlays, reinvestment of retained earnings and, in past years, proceeds of debt-equity swaps.

This positive trend in Venezuela has several causes. At the start of its five-year term in early 1989, the administration of President Carlos Andrés Pérez ordered a series of important economic reforms aimed at reducing state intervention in the economy, promoting competition from domestic and international sources, giving private investment a greater role and generally moving Venezuela toward a free market system.

The Pérez government broadly liberalised its foreign investment code in 1990 with the approval of Decree 727, which eliminated most of the stumbling blocks which international investors had complained about for years.

In March 1992, the government liberalised its foreign investment environment even more. Decree 2,095 eliminated most of the restrictions which previously reserved certain economic sectors for Venezuelan investors, and placed foreign companies on the same legal footing as Venezuelan companies under the rules

Total external debt



Source: Inter-American Development Bank

FOREIGN INVESTMENT

A surge of confidence

applying to the Andean Common Market (Pacto Andino), a regional integration group that includes Bolivia, Colombia, Ecuador, Peru and Venezuela. It also allowed foreign concerns to include trademarks, patents, and other specialised technology as capital contributions.

This more open environment for international investment - and for private investment in general - is helping Venezuela to realise the potential for growth that people have been talking about for years. Investors familiar with Latin America have long been aware of Venezuela's competitive advantages, which include:

- low-cost energy from abundant hydroelectric power and large reserves of fossil fuels;
- major deposits of minerals such as iron ore, bauxite, gold, diamonds, coal and others;
- the largest proved reserves of crude oil outside the Middle East, plus large gas deposits;
- a modern physical infrastructure;
- a young work force and a corps of managers experienced in international business;
- a good location for reaching markets in the US, Europe and Latin America;
- a relatively small population (about 20m) with manageable problems.

The biggest share of foreign investment in 1992 came from CANTV, which was privatised in December 1991 and is under the operating control of GTE of the US. The CANTV alone reported 1992 investments of \$510m to upgrade telephone

and telecommunications services. An international consortium headed by GTE bought 40 per cent of shares - plus operating control - of the inefficient telecommunications concern.

Foreign partners GTE, Telefonica Internacional (Spain) and AT&T (US) reportedly control 72 per cent of the consortium. Mr Bruce Haddad, CANTV's president, said that the company plans to invest \$60m over the next decade.

Venezuela's petrochemical sector, which is going through the largest expansion in its history, has attracted considerable international investment since 1989.

Some of the most important investors in new or continuing petrochemical projects are Italy's Eni (a unit of ENI, Milan); Japan's Inpex; Korea's Daewoo; and three US groups - Olin, Combustion Engineering, International Finance Corp. and Dow Chemical.

In mining, Monarch Resources Ltd., a Bermuda-based company, is investing \$23m in 1992-94 to develop a new gold mine, La Camorra, in Venezuela's Guayana region. A number of other companies are also investing in different sectors. They include: Nestlé and Heinz (processed foods); Smurfit (paper); the Grupo Once from Spain (tourism); BAT Industries (tobacco); and agribusiness: Procter & Gamble (personal use products); Chiquita Brands (bananas); and Iberia (international air service).

Even Venezuela's petroleum

production sector, off limits to private investment since the oil industry was nationalised in 1976, has opened up. Japan's Teikoku Oil and a group made up of Russian Oil (US) and Vencor of Venezuela signed operating agreements at the end of July 1992 covering the production of crude oil in so-called "marginal" oil fields.

The contracts call for the two groups to invest a total of \$280m over the next decade. The companies will not own the fields where they operate, but will receive payments according to the volumes of crude oil and natural gas they produce for PDVSA, Venezuela's national oil company.

Last month, Venezuela's Ministry of Energy and PDVSA called on foreign and domestic companies to bid on a second series of oil production contracts. PDVSA, hit hard by a combination of low oil prices and high Venezuelan taxes, is also looking for international equity partners in areas such as exploration, production and refining, which had excluded private investment for 16 years.

Venezuela has been able to make substantial progress in foreign investment during 1992, even though a failed military uprising in February provoked a political crisis.

Foreign executives in general remain quite optimistic and give high marks to the Pérez regime for setting conditions for strong economic growth and removing barriers to international capital.

They also point out that the government, over-dependent on dwindling revenues from petroleum exports, clearly recognises the need for private capital from Venezuelan and foreign investors if the economy is to continue advancing. However, 1993 is a presidential election year and businessmen are concerned that a populist politician may assume power in 1994.

Traditionally, investors in Venezuela put new projects on hold during presidential election years as they wait to see what kind of economic policies they will be facing during the next five-year period of government. While some foreign investors may be holding back, especially for new projects that would begin in 1993, most companies expect the next government to maintain the free-market policies initiated in 1989.

Joseph Mann

PRIVATISATION & FOREIGN INVESTMENT CONVERGE WITHIN THE PERFECT SETTING

VENEZUELA

The VENEZUELAN INVESTMENT FUND (FIV) is responsible for coordinating the privatisation of a wide range of companies owned or controlled by the government of Venezuela.

Venezuela offers a wealth of investment options in a wide range of economic sectors. Important foreign investment companies such as GTE, BELL SOUTH, AT&T, TELEFONICA INTERNATIONAL DE ESPAÑA, IBERIA and TOYOTA, have already recognised the enormous potential of the country and are currently investing in this dynamic privatisation program.

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Petrochemicals is expanding at rapid speed, says Joseph Mann

Refineries open their doors

VENEZUELA'S petrochemical sector, in the midst of the largest expansion in its history, now depends less on capital investment from the government and is trying to promote increased equity investment from abroad.

The industry is made up of a mixture of state-owned and private companies. Pequiven (Petroquímica de Venezuela), a wholly owned subsidiary of the national oil company, PDVSA, coordinates development of the petrochemical industry.

It owns three large petrochemical complexes and has several plants of its own. It is an equity partner in more than a score of joint-venture projects with Venezuelan and international investors, covering plastics, oxygenates (used to replace lead as an octane booster in motor petrol), industrial chemicals and other products.

Petrochemical projects currently rank among the most important targets for foreign investment in Venezuela. Recent projects with international partners include a 500,000 tonnes per year mtbe plant, now in operation (partners: Ecofuel, Pequiven and S.F. Mercantile); a facility for producing ethylene oxide and ethylene glycol (Olin, IPC, Corimon, Pequiven); a linear-low density polyethylene plant (Combustion Engi-

neering, Pequiven, Grupo Zuliano and Latino Soc. Financiera); and a specialty wax plant (Repsol, Pequiven and S.F. Financiera).

In 1989-90, Pequiven initiated a programme designed to increase Venezuela's petrochemical production capacity to around 16m tonnes a year. At the time the programme was started, total capacity stood at a little over 3m tonnes; currently, capacity exceeds 5m tonnes a year.

Pequiven, which has worked in partnership with private companies for many years, has based its expansion plan on the existence of large reserves of natural gas (more than 3.1 trillion cubic metres at the end of 1991) that can be used as a feedstock for petrochemicals. While some of the new facilities are being used to supply the domestic market, most are developed with export markets in mind.

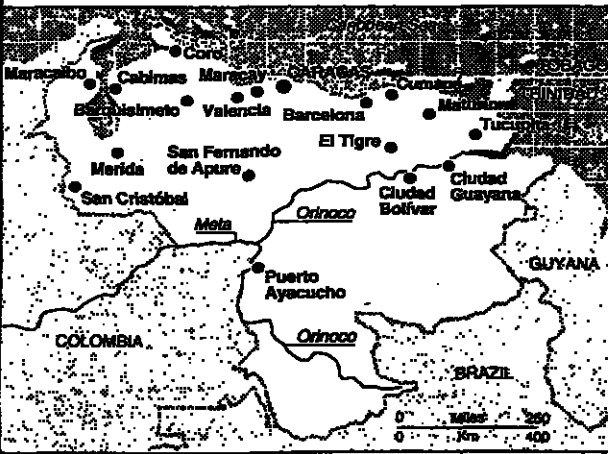
Until mid-1992, Pequiven was operating under a policy whereby it could hold equity positions of up to 49 per cent in new joint ventures.

Pequiven's owner, PDVSA, realised, however, that it was being forced into a prolonged cash-flow deficit, owing to low international oil prices, high domestic taxes and the demands of a multi-billion

dollar investment programme. As a result, it decided to minimise all direct investments by Pequiven and to encourage the development of new facilities that are 100 per cent owned by private investors. PDVSA is also seeking increased foreign investment for projects in oil and natural gas.

It recently named a veteran oil industry executive, Arnold Volkenborn, as head of Pequiven. His task is to initiate the next stage of petrochemical development, whereby Pequiven will be more of a promoter than an investor. PDVSA also plans for Pequiven to offer some of its own shares to the public, and to sell part of its stock portfolio in the joint ventures.

Pequiven and the joint-venture petrochemical companies continue to make good progress. In 1991, Pequiven's fully-owned facilities produced 2.43m tonnes of products, up slightly from 1990, while the joint-venture partnerships produced 1.34m tonnes, a 30 per cent increase over the previous year. Petrochemical plants outside Venezuela where Pequiven holds full or partial ownership produced 3.5m tonnes in 1991. Pequiven had 1991 sales of \$448m, and invested \$438m during the year.



from the Orinoco

Oil

SAFETY because of the impact on inflation, the government has decided to limit the amount of foreign currency that can be used to pay for imports. This move is part of a broader effort to control inflation and stabilize the economy. The government is also considering other measures to reduce the trade deficit, such as increasing exports and improving the efficiency of the public sector. The oil industry remains a key focus for the government, with plans to expand production and attract foreign investment. The recent opening of the Guri Dam is a significant milestone in this effort. The government is also working to improve the infrastructure of the oil sector, including roads and pipelines, to facilitate the transport of oil and other resources. These measures are expected to contribute to a more stable and growing economy in the coming years.

RECRUITMENT

JOBS: Readers' replies raise disturbing question about the personalities who tend to rule the roost

FOR the whole of six days the Jobs column has been waiting...waiting...waiting. And since the expected event is an acid test, I now know how nuclear physicists feel when, after theorising that a certain particle must exist, they sit by their accelerators hoping it will show up in practice.

In my case, no apparatus is required to test the theory. All it needs is for someone to ask to borrow the book I wrote about a week ago. For the replies from you readers to that article pose a problem which....

But before going on, I'd better recapitulate lest any of you here today weren't present last week. The book is called *Neanderthals at Work* and its main author, American psychologist Albert Bernstein, has a theory. It is that organisations' workforces can be divided into three broad types of people, of whom only one type characteristically win promotion to the very top. The three are:

Rebels - Often creatively intelligent as well as technically expert, they're indispensable in crises. The snag is that, although willing to work without stint at things that give them a personal

*John Wiley, £12.95.

Slaves to the competitive unconscious

buzz, they have little time for routine tasks, however necessary, and still less for people problems. They therefore hardly ever climb far up managerial hierarchies.

Believers - Embodiments of the work ethic, they spare no effort even at tasks they dislike. Moreover, being fair-minded and straight-forward in their dealings, they make the kind of managers under whom other people give of their best.

Believers' strength, however, is also the root of their weakness. They draw their motivation from their faith that diligent discharge of their prescribed duties will be duly rewarded - a faith they hold so strongly as to be blind to any evidence to the contrary. Consequently, they rarely rise beyond the middle ranks.

The type who do get to the top are the **Competitors**. They are quick to learn how the company system really works as distinct from the way the official rules ordain, and they then manipulate it to serve their own ambitions. Since their motivation is the urge to win personally, they take it for

granted that their way is best and so never question whether or not what they are doing is in the best interests of the company.

Now, last week's report on Dr Bernstein's theory produced a large but uncounted number of replies from readers, most of whom identified themselves as of one type or the other. They also included several people known to me, some of whom I have reason to believe operate as competitors. The odd thing was that neither they nor any of the rest admitted as much. The whole lot claimed to be either rebels or believers - which set me thinking.

At first I decided it was just typical competitors' behaviour: they could hardly be expected to show their true colours, after all. But then I was struck by an awful thought.

Could it be that competitors don't know they're competitors?

Hence my idea of a test. What else besides hiding behind disguises would competitors inevitably do, I wondered. One that occurred to me was surely never to buy a book if they could

get it on loan. So I settled down to wait for a would-be borrower, whom I could then confront with the evidence and grill to find whether he or she was masking being a competitor, or simply unconscious of the fact.

Alas, no one has asked for the loan. What's worse, now I've revealed the trap I was setting, the whole scheme is blown by which is a pity. For the unconsciousness or otherwise of competitors has a bearing on another of Albert Bernstein's theses which this past week fortunately has seen confirmed.

In his view, a big drawback of having competitors in command, is that their typical deviousness about the ways they manipulate company systems tends to stymie useful developments. "The only way to make meaningful change in a corporate culture is to be very specific about what that culture actually is and how it works," the book explains. "The problem is that the people who could write the explicit rules don't think it is in their best interest to do so."

Confirmation of the truth of those words has come from Pam Pocock of the Strategic People consultancy of Chertsey, Surrey. Among its activities is helping outfits whose top management wants them to change to meet new demands, which necessitates identifying the values that make up the present culture, and adjusting them as required.

In the process, besides putting out questionnaires and so on, the consultancy uses a board game it has devised called *Dilemma*. In it, staff acting the part of promotion-seeking managers are faced, in turn, with ethical problems taken from real organisational life. For example, what do you do if, while searching an absent colleague's desk for some important data, you accidentally find a hidden pile of neglected work? The pile of neglected work has not only to decide on an answer, but persuade the others that it's the best one, before being awarded promotion further up the board.

What often if not usually emerges, says Ms Pocock, is a cultural picture which differs

from the one given by the initial questionnaires. First inquiries about the things staff think their ultimate bosses value tend to elicit lists headed by Teamwork, Quality, Customers and the like.

By contrast, deeper dredgings into the outfit's workings come up with terms such as Traditional, Bureaucratic and Hierarchical. The *Dilemma* game shows that many employees are aware of the contradiction. Often the player choosing the solution will have no difficulty in persuading the rest that it's productive as well as ethically right, only to be sunk by the objection: "But it just wouldn't work in this firm, as you very well know."

It's hard to avoid thinking a good many company leaderships are saying one thing and doing another," Pam Pocock adds. "In which case, if the workforce is to act differently, there must be real change right at the top."

In the Jobs column's view, however, the problem may well be deeper than that. Even if the competitors' behaviour is merely deliberate as distinct from un-

conscious, it is nevertheless highly contagious for people of an ambitious bent. Indeed, once the cult of winning personally has taken hold, it is apt to skewer itself through the organisation from head to foot, serving as a management training system all the more effective for being recognised only by a few. At which point it might defy the most determined as well as enlightened leader's efforts to cut it out.

So the best hope for companies bedevilled by the cult of winning might lie in the other possibility - to wit, that competitors are not competitors deliberately, but are simply unconscious of the fact. If so, there may be a chance of awakening them not only to their real identity, but to recognition of their destructive effects and the need to change their ways.

How to bring about the transformation is also something else again. After all, at least since Confucius 2,500 years ago, sages have been telling competitors how to behave more productively without as yet turning the trick. But if readers have any better ideas, I'll be delighted to pass them on.

Michael Dixon

General Secretary

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- Championing members' interests with the bank and other bodies. Providing welfare, support and other services when required.
- Bournemouth base with London office.

THE POSITION

- Challenging leadership role providing focus and direction for the membership. Pursuing and achieving their best interests.
- Representing the union in dealings with employers, the media and affiliated and other organisations.

- Managing and organising dedicated professional staff of c.40.

QUALIFICATIONS

- Proven and determined leader. Demonstrably successful career. Banking background an advantage.
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- Experienced in industrial relations, with the vision, flexibility and drive to operate to optimal effect in a changing and complex legislative framework.

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An international fund management company with £13 billion under management is looking to recruit an individual for a fixed-term contract of about 12 months, starting asap. You will help to develop systems to measure and analyse the performance of client funds, particularly International Equity portfolios. Previous relevant experience essential, knowledge of Excel highly desirable.

For further details, please call Lucy Ayrton on 071 387 9400 or write to Financial Selection Services, Drayton House, Gordon Street, London WC1H 0AN.

Experienced Credit Manager required with general lending and trade finance background for small department. Good credit analysis and communication skills essential.

ACIB qualification desirable. CV's to The Personnel Manager, Dao Heng Bank (London) Plc, 86 Newman Street, London W1P 3LD.

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CREDIT ANALYST
- TREASURY

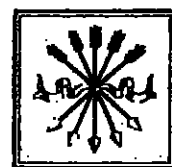
N M Rothschild & Sons Limited, a leading international merchant bank, requires an experienced credit analyst. The post, which holds a significant position in a small team, will be responsible for analysing and monitoring all corporate relationships within the Bank's Treasury Division, and will swiftly develop into a focal point for all Treasury corporate analysis matters.

Reviews of all corporate and other financial counterparties will include technical analysis, the interpretation of results, the preparation and presentation of written reports, the provision of strategic advice, and the maintenance of effective relationships with other institutions and agencies. The monitoring of corporate relationships, with a view to identifying and advising on key developments with credit implications, will also be involved.

Candidates, probably aged at least in their late 20s, are likely to be working in a major financial institution or rating agency, and should have a relevant numerate or business degree followed by a minimum of three years' credit analysis experience. A proven ability to develop spreadsheets and computer-based databases is essential, while a knowledge of treasury products - particularly off balance-sheet - would be an advantage.

The position offers a highly competitive salary together with an attractive range of banking benefits. Career development opportunities will be available for the right person.

In the first instance, please send a personal resume detailing your experience, in the strictest confidence, to: Andrew S May, Director of Personnel Services, N M Rothschild & Sons Limited, New Court, St. Swithin's Lane, London EC4P 4DU.



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Aged 25-35, possibly ACIB qualified or equivalent, you will be of graduate calibre with extensive experience in the financial services industry, perhaps gained from a banking or building society environment, complemented by a sound knowledge of the UK money markets.

With technical competence supported by experience in financial marketing techniques, new business development and planning from origins, the successful candidate will have excellent verbal and written interpersonal skills, the diplomacy to forge strong internal and external relationships and the energy and drive to become a valued team member in this growing bank.

The remuneration package will be negotiated dependent upon experience but will include the provision of an executive car and pension, life assurance and private health sickness scheme.

Male or female candidates should submit in confidence a comprehensive cv to: G. Hicks, Hoggett Bowers plc, Skilton House, Skilton, Harrogate, North Yorkshire YO19 6AA. Tel: 01430 84288. Fax: 01430 84355. quoting Ref: D18075/FT

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Credit Suisse Financial Products, a top rated UK bank has established itself as an innovative global leader in the derivative products industry since its formation two and a half years ago. Servicing a prestigious client base they provide a broad range of risk management tools. The bank's success reflects the high calibre of staff and their commitment to the firm.

A requirement has arisen for a Credit Risk Officer, with solid experience in credit analysis

(min 2 years) capable of independently assessing counterparty risks, to be responsible primarily for the United Kingdom and Eire. Whilst experience of derivative products would be useful, it is not a pre-requisite as training will be given.

The position requires good communication and presentation skills as there will be extensive daily interaction with Marketing and Senior Management of the firm.

Candidates aged 23-28, preferably with language skills, (French, German or Spanish) will be offered a highly competitive salary and benefits commensurate with experience.

Interested applicants should write with full CV to: Richard Belsten, Robert Walters Associates, 25 Bedford Street, London WC2E 9EP. Tel: 071-379 3333 Fax: 071-915 8714. All applications will be treated confidentially.

ROBERT WALTERS ASSOCIATES

CORPORATE
FINANCE OFFICER
Eastern Europe

Our client, a global financial institution, is expanding its presence in Eastern Europe. As a result, they need an experienced banker, based in London, to market a broad range of financial products to a diverse customer base. A minimum of 3-5 years marketing experience is required, including a track record of deal closures in Eastern Europe. In addition, the ability to meet stringent revenue targets across complex cultural and organisational boundaries will be required. An Eastern European language and credit training are important.

This is an exceptional opportunity to become a member of an innovative, aggressive team.

Interested candidates should write to Jane Hayes at RBM Associates Ltd (Consultants in Recruitment) at 76 Watling Street, London EC4M 9BJ, enclosing a curriculum vitae. Please quote Ref 422. All applications will be treated in the strictest confidence.

76, Watling Street,
London EC4M 9BJ



Tel: 071-248 3453
Fax: 071-248 2814

Manager - Investment Services
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Our client is a leading International Investment Group whose funds under management have doubled in the last 5 years and currently exceed £6 billion. As an important element of its marketing plan, the Retail Division is establishing a service to provide up to the minute investment information for its clients.

The role involves communicating, by telephone and in writing, house views gathered from the company's worldwide network of investment offices and responding to requests for advice

on investment related issues.

Probably working in an investment sales or similar role and of graduate standard, it is essential that you are highly articulate and have a thorough understanding of investment markets. You will be aged 25-35, very energetic, resilient, ambitious and a natural team player.

To apply in strict confidence, please telephone or write to: Fiona Law at FLA Ltd, 24 Rosebank Road, London SW11 6AR. Tel: 071-238 8732. quoting reference 302.



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Baker & McKenzie is the world's largest law firm in America, the Middle East, Europe, Japan and the Pacific.

TOKYO

English speaking lawyers who are working as well as overseas. Baker & McKenzie is looking for the best legal talent in the world. We are looking for the following:

1. A candidate with a minimum of 5 years experience in the legal field in our London office.

2. A candidate with a minimum of 5 years experience in the legal field in our London office.

3. A candidate with a minimum of 5 years experience in the legal field in our London office.

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- Backed by one of the largest US financial services companies. However, the culture is non-hierarchical, independent and very entrepreneurial.

THE ROLE

- To manage the implementation of the business decisions taken by the partnership.
- To integrate the technological processes and become the "lynch-pin" in ensuring effective project management of the development life cycle.
- To be responsible for the human resources and finance functions as well as compliance and other regulatory requirements.
- To supervise all areas of the business including research, systems, trading and back office, to ensure their adherence to the highest standards and practices.

THE CANDIDATE

- Excellent academic qualifications, able to work with an intellectually powerful group.
- A flexible team player with strong verbal and written communication skills.
- Excellent people-management skills.
- An energetic, solutions-oriented, enthusiastic individual with drive and commitment.
- Management skills developed in financial services/technology/research or consultancy environment.

The remuneration package includes an excellent base salary and medical insurance.

If you believe you possess the skills, dynamism and self-motivation to succeed in this exceptional role, then please send your CV to the advising consultant David Huggins, Director or Lucy Clements at Harvey Nash Plc. Please quote reference HN686 and include current salary details and a daytime contact number.

All applications will be treated in strictest confidence.

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INVESTMENT DIRECTORS - WARSAW

Chartered WestLB is a successful international merchant bank.

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Investment Directors are sought for a new fund management company planned to be established in Warsaw for the Mass Privatisation Programme. This is a challenging opportunity to play an important role in the transformation of the Polish economy. Attractive benefits will be allied to a competitive salary geared to experience and performance.

The successful candidates will be expected to effect substantial improvement in commercial performance, working through and with the management of investee companies, as well as monitoring and managing the portfolio.

Candidates are likely to be 35-45 years of age, and graduates with a further qualification such as ACA/MBA. Highly developed financial and general corporate analytical skills will be required. Experience should include a proven track record in improving corporate performance, preferably as a hands-on Development Capital Fund Manager or "Company Doctor".

Fluent spoken and written Polish and English, and a willingness to live and work in Warsaw are required.

Please reply in confidence enclosing a full C.V. in English to: Peter Llewellyn, Assistant Director, Personnel, at Chartered WestLB Limited, 33-36 Gracechurch Street, London EC3V 0AX (Fax 071-220 8459) or telephone on 071-220 8547 for further details.

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Baker & McKenzie is the world's largest international law firm, with over 2,000 lawyers practising in over 50 locations throughout Europe, North and South America, the Middle East, Australia and the Pacific Basin.

We are looking for the following:

TOKYO

An English solicitor who is experienced in banking as well as corporate and commercial work to join our Tokyo office. The ideal candidate will have between two and five years post-qualification experience in a broad range of financing transactions as well as mergers and acquisitions, joint ventures and general corporate and commercial work, together with good business development skills. An ability to speak Japanese is preferred but is not an absolute requirement.

The candidate will spend an initial period in our London office prior to transferring to Tokyo.

If you are interested in applying for one of the above positions, please write with full curriculum vitae which will be dealt with in confidence to: Mrs Jo Darby, Baker & McKenzie, 100 New Bridge Street, London EC4V 6JA.

EC AND COMPETITION LAW LONDON

A solicitor with substantial experience of dealing with European Community and competition law to join a team handling EC and UK competition cases, merger control at both Community and local level and other aspects of Community legal developments.

The work involves advising on investigations, commercial agreements and policies and continuing compliance. The successful candidate will have a thorough knowledge of both EC Commission and UK procedures and will enjoy substantial responsibility in dealing with clients.

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In excess of £50,000 + car

Midlands

The company is one of the UK's largest, best known and most successful production and consumer marketing operations. Much of its sales success relies upon a network of independent distributors, many of whom are supported by investment from the company itself. Judgment about the wisdom of such investments, and indeed about remedial action should problem situations occur later, calls for a nice balance between thorough credit analysis and entrepreneurial commercial awareness. This new position will be responsible for that balance, reviewing investment proposals, negotiating loans and monitoring current exposures. Ideal candidates will have solid credit analysis skills (probably gained through line responsibility for secured lending to small businesses), experience of the necessary documentation, IT literacy and an understanding of the relevance of property values. As we have implied, however, there's a lot more to the job than just credit analysis. If eliminating the risk means reducing sales potential, the appointee will have failed, so we are looking for innate commercial understanding, demonstrated by the ability to create solutions, not just identify problems. Interpersonal strengths are important too: candidates must be able to communicate effectively at the highest levels in both sales and finance, and with bankers and lawyers. This mix of strengths should suggest both the ability and the interest to move into a broader commercial role in the future. Please send full career details, quoting reference WE 2121, to Terry Ward, Ward Executive Limited, 4-6 George Street, Richmond-upon-Thames, Surrey TW9 1JY.

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The firm provides full analytical support and a culture which encourages initiative and enterprise. In addition to a competitive basic salary an attractive bonus scheme is in operation.

Applicants should have at least four years' experience.

Please contact Anthony Isern at:

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Tel: 071 796 3132 Fax: 071 796 4620

SENIOR FINANCE & OPERATIONS MANAGERS (1 for Prague - 1 for Slovenia)

International Bank seeks qualified accountants with a minimum of 5 years bank management experience incorporating systems, operations and financial. Applicants must also be fluent in either Czech or Slovenian.

For further information please contact:

Sandra Clark on 071-377 5040
LJC Banking Appointments, Devonshire House,
146 Bishopsgate, London EC2M 4JX

SENIOR PROJECT FINANCE OFFICER c£35k neg

Our client, a well established City Bank, are seeking to recruit a Project Finance Officer. The principal duties will be to undertake project feasibility studies, structure, design and evaluate financial projects and undertake full risk and credit analysis. Other duties will include marketing and implementing a range of business development with regard to project financing. Target areas would be engineering and industrial sectors of the UK and Europe. Applicants must be graduates with excellent project finance experience gained within an international financial institution.

CREDIT & RESEARCH ANALYST c£30k

We are recruiting on behalf of a major international bank, a qualified credit analyst whose role will be to research European industrial sectors and UK Corporates in order to further the Bank's strategic and ongoing business activities. The main areas of responsibility will be to produce in-depth reports on credit risk evaluation and advise on a marketing strategy based on these findings. The ideal applicant will be a graduate with fluency in one or more European languages, at least 3-4 years relevant experience within a financial institution and above all have an enthusiastic outgoing personality and be a good team player.

AUSTEN

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Senior Credit Analyst

c.£40,000 + Benefits + Car

For further details, please contact Julie Byford or Pascale Butcher on (071) 583 0073 (day) or (081) 579 5376 (evenings & weekends) or send your cv in complete confidence to 16-18 New Bridge Street, London EC4V 6AL.

A superb opportunity has arisen for a senior analyst to join the highly successful treasury team of one of the largest international banks worldwide.

Initially you will be responsible for the smooth running of the credit function maintaining the high standards of current policies over treasury products exposure.

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To succeed in this challenging environment, the successful candidate must demonstrate the following:

- a degree in a numerate discipline,
- at least 4 years' credit analysis experience with a quality institution,
- a sound knowledge of treasury products would be an advantage, particularly swaps/options, exposure to asset-backed securities and leasing,
- strong communication skills, both written and oral,
- ideally aged between 28 and 33.

The prospects are superb for the ambitious candidate who can expect to undertake greater responsibilities on successfully proving their capabilities.

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ING Bank is part of the Internationale Nederlanden Groep N.V., one of Europe's largest financial institutions, based in the Netherlands and active in 38 countries worldwide

ING BANK EMERGING MARKETS GROUP AMSTERDAM

offers a range of financial services for business and governments in emerging markets worldwide, from local commercial banking services to complex cross-border financing structures, asset trading and financial advisory services. ING Bank has focused its international growth and presence on the emerging markets of Latin America, Central & Eastern Europe, Asia and Africa, investing heavily in physical presence and human resources. Our leading presence in these markets and commitment to emerging markets business is internationally recognised.

WE ARE CURRENTLY LOOKING for highly qualified bankers and financial advisers with substantial emerging markets experience for a number of positions in our Emerging Markets Group in Amsterdam. Candidates should be specialised in one, or preferably more, of the areas mentioned.

INSTITUTIONAL RELATIONS & STRUCTURED FINANCE

ING Bank has pioneered a series of agency arrangements with international financial institutions such as the IFC, EBRD and IIC. We are also active in structuring and marketing corporate finance transactions directed to emerging markets, often for multinational companies, with institutional involvement. Relations with multi- and bilateral financing institutions include the development of our substantial cofinancing portfolio in emerging markets.

EMERGING MARKETS CORPORATE FINANCE

The European Emerging Markets Corporate Finance team markets the Bank's capabilities in non-OECD markets to large European companies active internationally. We are seeking experienced bankers to join this team. Extensive experience of investment or commercial banking in emerging markets is required, including structured finance and capital market products. As the position entails sophisticated marketing, superior presentation skills, written and oral, in English (and preferably other languages as well) are required.

DEBT MANAGEMENT

Transactions related to debt conversion and debt reduction operations worldwide, and to product development for both commercial and Paris Club debt are an important activity for ING Bank. The Amsterdam-based group is also responsible for risk management and general supervision of the Bank's global debt trading, although there is no debt trading desk at Head Office.

FINANCIAL ADVISORY & CONSULTANCY SERVICES UNIT (FACS)

We are looking for Senior Financial Advisers to work on financial advisory and consultancy assignments for governments and private sector clients in emerging markets. This area of the Bank's business is growing rapidly as the demand for financial services has increased in all non-OECD areas, and particularly Central and Eastern Europe. Areas of special relevance for the Bank are: external debt management and debt reduction techniques; privatisation strategy and implementation; financial institution management and restructuring; payment systems, credit controls and bank operations.

ASSIGNMENTS

For all positions an attractive remuneration and benefits package is offered to the right candidates. Positions in the FACS Consultancy area are normally on a project basis, but, for exceptional candidates, particularly those with experience in the business of consultancy, proposal preparation, team planning, administration - a one-year contract is a possibility. The positions are based in Amsterdam, but require substantial amounts of travel. Women are encouraged to apply.

INTERESTED CANDIDATES send a letter, including a C.V., before December 31, 1992 to: Internationale Nederlanden Bank, International Division, Personnel Department FP-01.07, Mr. J.H. Teuwen, Postbus 1800, 1000 BV Amsterdam, The Netherlands.

ING BANK

Salomon Brothers International Limited COMPLIANCE

LONDON

EXCELLENT PACKAGE

Salomon Brothers, one of the world's leading international investment businesses, is seeking a highly motivated and experienced Compliance Officer to join its relatively new, but rapidly growing London-based Asset Management Group.

Reporting to the co-heads of Asset Management and the European Legal Counsel, the Compliance Officer will take responsibility for all compliance and regulatory issues affecting the work of the group. The group will also look to the Compliance Officer to take responsibility for certain aspects of the management of the group.

Candidates should have a strong academic background, significant IMRO compliance experience gained either in a top City law firm, quality financial institution or regulatory body, and, ideally, be familiar with the relevant US law and regulations as well as the regulatory framework of the UK and Europe.

This is an excellent opportunity for an individual who is both dynamic and talented and the successful candidate will be compensated accordingly. Applications should be made in writing to: Isabel Doherty, Salomon Brothers International Limited, Victoria Plaza, 111 Buckingham Palace Road, London SW1W 0SB.

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THE BOSTON CONSULTING GROUP

Die Boston Consulting Group ist die weltweit führende Beratungsgesellschaft auf dem Gebiet der Unternehmensstrategie mit Niederlassungen in Auckland, Boston, Chicago, Düsseldorf, Frankfurt, Hongkong, London, Los Angeles, Madrid, Mailand, Melbourne, München, New York, Paris, San Francisco, Stockholm, Sydney, Tokio und Zürich.

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London based Highly competitive package

Schroders is one of the largest and most international of the UK based investment banking groups. We are a world leader in corporate finance and investment management, and our securities operations span the globe, providing financial services to institutional clients.

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Our London based Korean Sales desk is presently looking to recruit an additional salesperson to market Korean equities to institutional clients in the UK and on the Continent.

Candidates should have a minimum of two years' experience in broking one of the Asian markets as well as a broad knowledge and understanding of the region in general. The position might alternatively suit individuals with experience on the fund management side who have an Asian research or investment background.

The total compensation package includes a competitive salary, performance related bonus and an attractive range of benefits.

Applications, including a full CV with current remuneration, should be sent to: Caroline Baker, Personnel Executive, Schroder Securities Limited, 120 Cheapside, London EC2V 6DS.

Schroders

Junior Dollar Trader

Already one of the leading houses in marketing asset backed products, Citibank's Capital Markets activities are continuing to expand. We are looking for a Junior Trader to trade fixed dollar asset backed Eurobonds.

A graduate with 1-2 years experience and good analytical skills, you will need to be able to work well as part of a small team in this investor driven environment. A knowledge of asset backed products would be an advantage.

In return we offer a competitive salary and excellent benefits package. To apply please send your CV to Brian Woolley, Managing Director, at Citicorp Investment Bank Limited, PO Box 200, Cottons Centre, Hays Lane, London SE1 3QT.

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We are an equal opportunities employer

Office Manager/ PA

Senior executive of a rapidly expanding company requires an office manager/PA with at least 3 years experience. The candidate should have good shorthand and keyboard skills, and be familiar with the use of word processing and spreadsheet software, preferably on a Mac. Personnel management experience would be an asset. Salary negotiable, with excellent benefits.

Please apply to Carl Fazio, Chief Financial Officer, International Media Publishing Inc., 84-86 Great Portland Street, London W1N 5PA

BANKING

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The new subsidiary company now seeks to recruit several individuals with wide experience of sales and dealing with relevant markets.

Applicants should be high calibre, ambitious individuals who can succeed in a demanding but rewarding environment.

Career prospects are excellent for successful candidates, who will derive considerable benefit from working within a major international financial services group.

Please respond, in complete confidence, at the earliest opportunity, during office hours, to either Peter Giblin or Christina Wright at Axiom Advisors Ltd, 40 Long Acre, London WC2E 9JT. Tel. 071 836 8722. Fax. 071 836 6066

Clive Discount Company Limited

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Newark, New Jersey

CHRISTIANA BANK LONDON BRANCH

Christiana Bank og Kreditkasse through its London Branch (CBLB), offers a wide range of commercial banking services. CBLB has a significant exposure towards certain niche industries, in particular towards the Shipping and Energy sectors. Following recent years expansion the Energy Dept. now wishes to recruit one:

ASST. MANAGER / MANAGER, ENERGY AND NATURAL RESOURCES

The department has the overall responsibility for the co-ordination of the Bank's services to the U.K. Energy Industry, in particular structured/project financings towards Oil & Gas companies. To follow-up and extend the existing relationships we seek a candidate who should display some of the following attributes:

- aged 25-35, with experience from the Oil & Gas industry
- ability to structure, present and document credits
- marketing and customer service skills
- analytical skills combined with experience from PC-modelling

Operating within a small team you will gradually develop and take over account responsibility for selected clients. Salary is negotiable and will include normal banking benefits.

Please write enclosing full curriculum vitae to Mrs Bridget Collins, Personnel Department, Christiana Bank, London Branch, Lloyds Chambers, 1 Portico Street, LONDON E1 6RU, quoting reference E1119.

Closing date for receipt of applications will be
Monday, 14th December, 1992



**I.D.E.A.
ECONOMIST**

I.D.E.A. the premier on-line analytical service seeks an economist in London to join its research team to analyse and provide advice to clients on global financial markets.

The ideal candidate would be either a recent graduate (Masters preferred) or a person with 1-2 years experience in an analytical environment. Given the expansion of I.D.E.A. into European market coverage, a second language especially southern European would be an advantage. After a training period, responsibilities include writing market commentaries and undertaking economic forecasts. In exchange a competitive compensation package is offered.

Please forward your CV to Graham McDevitt at:
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LONDON WC1V 7JH

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Two sides of a single coin should draw together

Artificial distinctions between accountancy and auditing watchdogs need demolishing, says John Roques

A FUNDAMENTAL change in the framework of accounting and auditing in the UK is essential to restore public confidence in the accountancy profession.

There has undoubtedly been a crisis of confidence during the past two years. The public and the media frequently equate corporate failure with audit failure, and forget that it is by the very nature of business that some companies succeed and others fail.

This is not to say that nothing should be done to improve the scope and quality of audit or corporate reporting. I firmly believe that much can and should be done. But without significant changes which recognise the interdependence of accounting and auditing, it is unlikely that confidence in the accountancy profession will be restored.

The issue that needs to be addressed is the largely artificial distinction between the various standard-setting and regulatory activities for accounting and auditing. The position has become increasingly institutionalised and Byzantine.

The Financial Reporting Council controls the Accounting Standards Board (ASB), the Financial Reporting Review Panel, and the Urgent Issues Task Force. The Auditing Practices Board (APB) is separately controlled by the Consultative Committee of Accounting Bodies (CCAB), the body jointly owned by the leading professional accountancy bodies.

Audit regulation, disciplinary action and ethical guidance come directly from the professional bodies. My firm has long argued for removing regulation from the institutes.

The faults with the existing complex system are legion and include the following:

- Accounting and auditing standard-setters report to separate bodies.

- The Auditing Practices Board is perceived to be run by accountants for accountants. Even though it has an equal number of practising accountants and lay members, it is funded by and reports to the CCAB.

- There appear to be divergences between the priorities of the accounting and auditing standard-setters. For example, the ASB appears aloof from the APB's attempts to try to close the expectations gap - between what auditors do and what the public believes they do.

- The ASB is developing standards without obvious regard for their audit implications.

- The APB is raising disclosure issues which, under current arrangements, appear more sensibly to lie with ASB.

My solution is to end this distinction and put all standard setting and audit regulation under the Financial Reporting Council (FRC).

This would inspire more public confidence, since half the members of the top body, the FRC, are lay people who are not accountants.

Second, responsibility for both auditing and accounting would force the FRC to treat closing the expectations gap as the top priority for both accounting and auditing standards.

Third, it would create an unambiguous link between auditing standards setting and the process of monitoring and policing their application, a link clearly already established between



John Roques: structural changes are needed to restore public confidence

the ASB and the review panel by their parent body.

Fourth, it should make things much easier for government, and reduce much of the criticism which ministers are receiving over audit matters.

I also believe the new structure would help provide a better platform for the changes that need to be made to improve confidence in corporate governance.

The Cadbury Committee on the Financial Aspects of Corporate Governance has identified a host of areas where the proposed changes should impact on both audit and financial reporting practice. Most of these have already been split arbitrarily between the ASB and the APB, even though they have implications for both.

As a result, the following problems are already emerging:

- **Going Concern.** A draft Auditing Guideline has been issued on assessing the future viability of companies. But it does not canvass the ways in which corporate reporting could be improved to provide users with better information with which to assess this going-concern basis.

- Also proposals have been made by the APB that the "subject to" qualified audit reports should disappear and that auditors should assess the adequacy of disclosures of matters affecting a company's ability to continue as a going concern.

- However, there are no parallel proposals from the ASB as to the extent and nature of disclosure which the corporate sector should make in relation to inherent uncertainties. As a result, a situation could emerge in which there may be no objective criteria against which auditors can make the assessment likely to be required by the APB.

- **Directors' Responsibilities.** The Cadbury committee recommended a statement of these responsibilities in the directors' report as a counterpart to a statement by auditors about their reporting responsibilities. Currently, this topic is the subject only of an APB exposure draft and again there could be a lack of suggested guidance for the corporate sector on the form which such a statement should take.

- **Financial Reports.** The Cadbury committee also recognised the advantages to users of reports and accounts of some explanation of the factors likely to influence a company's future progress. Useful steps are being taken by the ASB to develop an essentially forward-looking operational and

financial review, but much thought needs to be given to developing ideas on the extent to which the auditor should review such information.

The ASB by itself does not have the remit to develop such ideas. Consequently their development could end up being rushed at the time of publication of an accounting standard, or it could lag behind. This latter situation arose when the ASB issued Financial Reporting Standard 1 on cash flow statements last year.

All of the above are merely symptomatic of the overwhelming need for the co-ordination and monitoring of APB and ASB by a single body. No doubt there is liaison already between the two bodies, but only when they are both under the FRC umbrella will many key problems be addressed properly.

Consideration could then be given to the possibility of joint accounting and audit exposure drafts and standards on expectations gap projects, as well as many other topics where there is a need for a concerted effort.

Topics which spring to mind include related party transactions and pension schemes. Such documents may individually be longer for all of us to read, but they will ensure that thought is given simultaneously to accounting and audit aspects.

That would make it much more likely that the current problems affecting the profession and corporate governance in general will be properly resolved and public confidence restored.

John Roques is senior partner and chief executive of Touche Ross, London

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For further information, please contact Douglas Lambias at Douglas Lambias Associates, London WC2R 0NS. Tel: 01-404 6581. Fax: 01-404 6582.

RADYNE FINANCIAL ACCOUNTANT

For further information, please contact Douglas Lambias at Douglas Lambias Associates, London WC2R 0NS. Tel: 01-404 6581. Fax: 01-404 6582.

DR. WINDEL & PARTNER GESELLSCHAFT FÜR PERSONALMARKETING MBH



Cash - Management / Financial - Controlling

MagneTek has very rapidly developed into a \$1.2 billion, NYSE listed, Fortune 500 company with 53 manufacturing plants and service centers all over the world and some 16,000 employees. In Europe we have operations in 5 countries with an emphasis on Germany and a turnover of more than DM 500 Mio.

Our vision is to be the best electrical equipment company in the world with motors and drives, transformers, generators, power supplies and ballasts.

To establish a European cash- and debt-management and new financing we are looking for a

Senior Treasury Analyst

working with our European Holding Company near Frankfurt am Main in Germany, reporting to the Vice President and Treasurer of MagneTek Inc. in the United States.

Your are very welcome in our international management team if you are able to:

- prepare and present the necessary cash and borrowing plans and statements;
- consolidate daily and monthly multi-currency cash forecasts and requirements;
- evaluate the borrowing strategies;
- keep liaison between the operating banks, European companies and the Corporate headquarters.

Working today in a bank or an international operating company you might look for an exciting job in a dynamic and growing, world wide company!

Then Dr. Windel would like to have a telephone conversation with you. His office hours are 9.00 am to 5.00 pm and on Mondays to 8.00 pm. Otherwise you can send him your application file with your telephone number and present income.

If you meet the following requirements he will talk to you intensively:

- solid basic education in finance and banking;
- work experience in cash-management or banking, especially in Germany;
- interest in dealing with international capital markets;
- fluency in English and good command of the German language.

JUNKERSTRASSE 21, 5300 BONN 2, TELEFON (02 28) 35 80 55-57

LONDON

c £30,000

Finance Managers

This very large and high profile charity is currently undergoing a period of change and development with a particular focus on its systems and procedures. As such, the organisation is looking to strengthen its finance function with the appointment of two high calibre qualified accountants with substantial requisite experience in the following positions:

Internal Audit Manager

This new position represents a key change within the current management structure. Your initial task will be to set up a pro-active operational and systems audit for the corporate functions, for which, in addition to compliance checking, you will be expected to make sound recommendations for procedural and systems changes where necessary. Once established you will then expand the unit to cope with the large number of field units with the overall aim of ensuring that "best practice" standards are adopted throughout the organisation. Ref: CH908

Financial Accounting Manager

In this role, you will be primarily responsible for the day-to-day financial accounting activities including treasury, VAT matters, quarterly reporting and preparation of statutory accounts for both corporate and subsidiary activities. However, of crucial importance to the organisation is your ability to make a significant contribution to the further development of financial controls and reporting systems. In addition, you will be expected to implement the requirements of the new Companies Act. Ref: CH907

For both positions technical competence and personal qualities must be of a high order as must be your experience of PC-based systems. Ideally, you should be aged early 30's to 40's and some experience of charitable organisations would be an advantage.

Please apply in confidence to Chris Howarth, Coopers & Lybrand Executive Resourcing Limited, 9 Greyfriars Road, Reading, Berkshire RG1 1JB, including personal and remuneration details, quoting appropriate reference on both envelope and letter.

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Joanne Gredell New York

212 752 4500

Chief Financial Officer

c.£60,000 + bonus + car

East Midlands

Our client is a successful manufacturer and distributor of consumer products. With a worldwide turnover in excess of £400 million, significant growth is taking place in Europe, principally because of recognition in the marketplace of its strong brand names and the quality and design of its products.

This is a rare opportunity for a seasoned, hard working financial manager to make a contribution at the most senior level across every element of the business. The remit will extend beyond strong financial control to encompass overall responsibility for operations, production and distribution. The CFO will work closely with the U.S. headquarters, implementing a successful marketing-driven strategy, both in the UK and in Europe.

A glance at the list of demanding personal attributes required of the successful candidate underscores the significance attached to this key role. As a qualified accountant you must offer technical excellence, intellectual ability, above

average business awareness, and well developed commercial instincts. This high profile role will appeal to individuals who offer demonstrable experience of success in a role which has had a broader responsibility than finance; experience gained in a consumer products subsidiary of a U.S. company would be advantageous. A proven ability to convert creative ideas and plans into a commercially successful venture is very relevant, as this matches the effective, demanding management style of our client.

To be considered please send your curriculum vitae together with an explanation of how you believe you meet the criteria for the position, including details of current salary, to Nicolas Mabin at Ernst & Young Corporate Resources, 10-12 The Row, Nottingham NG1 5DT, quoting reference NMA423.

ERNST & YOUNG

FINANCE DIRECTOR

BUDAPEST

Attractive Salary and Benefits Package

An exciting opportunity has arisen within one of the world's leading computer and information technology companies.

Our client, already established internationally in over 100 countries, is now expanding aggressively into Central and Eastern Europe.

This necessitates recruiting a Western-trained finance executive with strong commercial and business skills.

Reporting to the General Manager, this will be a key position within the management team of this new venture.

Your challenging role, to create an effective finance function, will include:

- Establishing a Western style accounting system
- Financial business planning
- Policy formulation
- Local Statutory Accounts
- Sourcing and training of local staff
- Cash management

The successful candidate will possess local language skills and a recognised accountancy qualification, or the equivalent international training.

You should have at least five years' finance experience, a dynamic and outgoing personality, and the wish to succeed in a demanding environment.

Future career prospects are outstanding for achievers.

If you can meet this challenge, then telephone or write to Tony Goodwin or Jeremy Williams, quoting: Ref TG/HT10.

Africa House, 64-78 Kingsway, London WC2B 8AH

Telephone: 071-404 6581. Fax: 071-430 2393

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The ability to analyse complex, wide-ranging issues and arrive at carefully reasoned decisions will be vital to your success as a Fast-Stream Accountant in the Civil Service. Whether planning financial strategy, developing initiatives, implementing change or advising Ministers, you will be dealing with matters of national and international importance.

Can you think of an environment offering a more varied intellectual challenge?

Although you will be a highly qualified professional, our Fast-Stream accelerated development programme will allow you to build on your accountancy skills and experience to deal with a wide range

of stimulating projects - mostly aimed at improving financial efficiency and quality of service.

You must be a qualified member of

one of the three

Institutes of Chartered

Accountants - the

Chartered Institute of

Management Accountants,

the Chartered Institute

of Public Finance and

Accountancy, or the

Chartered Association of

Certified Accountants, and have two or more years' post qualification experience in practice or as a high level financial manager.

Your Grade 7 Accountant's salary in Central London will be in the range £28,815-£37,749 including Inner London Weighting and performance related

pay, but your starting salary is likely to be in the range £28,815-£31,957.

For further details and an application form (to be returned by 31 December 1992) please write to Recruitment & Assessment Services, Alconon Link, Basingstoke, Hants RG21 1JB, or telephone Basingstoke (0256) 468551 (answering service operates outside office hours).

Please quote ref: A/93/1270/1.

Serving Civil Servants are encouraged to apply for these posts.

The Civil Service is an equal opportunity employer and is fully committed to equal opportunity policies.

fast stream

FINANCE DIRECTOR

Humberside Region

£40,000 + Car + Benefits

This key appointment is with an established and profitable food processing Company - a market leader. The Company is the major operating subsidiary of a privately controlled Group with extensive interests in both the UK and Overseas.

The requirement is for an experienced Finance Director who will be an important member of the Executive Board of the Company.

Candidates will be Qualified Accountants, ideally with experience in a food processing or similar environment. You will have the ability and experience of leading a large and motivated Accounts Department, preparing detailed management and financial accounts to tight deadlines, budgets, cash flow forecasting and product cost development. In addition to sound technical skills, you should also possess the vision and commercial acumen to help take the Company forward into a further phase of development through a sound understanding of general business management.

The position offers an excellent remuneration package, together with a generous relocation scheme.

For further information, please contact TRICIA RICHARDSON or BRIAN DANIELS, quoting ref. 92G/2411FT, at Daniels Bates Partnership Ltd., Joseph's Well, Hanover Walk, Park Lane, Leeds LS3 1AB - (0532) 461671.

Daniels Bates Partnership
PROFESSIONAL RECRUITMENT

LEADING US INVESTMENT BANK

NEW YORK

INTERNAL AUDIT

This global US investment bank provides a wide range of financial services to a large and diversified group of clients. With headquarters in New York City, the firm has a key presence in Europe and the Far East. The Internal Audit Department uses technically advanced audit methods in its reviews of business, management and operational controls.

Our client is looking to recruit immediate contributors to the organisation's success who thrive on increasing responsibility, constant

progression and continuous challenge.

The positions are based in New York.

Strong preference will be given to applicants who have either a Green Card, Dual Nationality or eligibility to work permanently in the United States.

Successful candidates also require:

- an excellent academic record
- an ACA qualification with a 'Top 6' Accountancy firm or equivalent

- 1-3 years post-qualification experience gained either in a bank or a financial services division within Public Practice
- very strong interpersonal skills

Interested candidates should telephone Rachel Hannon on 071-379 3333, (Fax: 071-915 8714) or write, enclosing a detailed CV, to Robert Walters Associates, 25 Bedford Street, London WC2E 9HP.

ROBERT WALTERS ASSOCIATES

LONDON WINDSOR BIRMINGHAM BRUSSELS AMSTERDAM PARIS

Vous fait part d'un accord publicitaire avec les ECHOS le quotidien économique le plus important en France. Dans la rubrique "Offres d'emploi internationales", une annonce conjointe dans le FINANCIAL TIMES et LES ECHOS augmentera de façon substantielle l'impact de votre message sur les cadres dirigeants en Europe. Chaque semaine les annonces paraîtront dans les Echos le mardi et dans le Financial Times le mercredi ou le jeudi (le vendredi dans l'Edition Internationale du Financial Times). Pour de plus amples renseignements, veuillez contacter:

CLARE PEASNELL 071 873 4027

FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER

RASTEROPS CORP EUROPEAN DIRECTOR OF FINANCE

RasterOps, a U.S. based world leader in the design and manufacturing of advanced imaging, color technology and multi-media products for the Macintosh and P.C. has an immediate opening for a EUROPEAN DIRECTOR OF FINANCE. This position, reporting directly to the U.S. Corporate Controller, will be based at our European H.Q. in Amsterdam.

The qualified candidate should have 10-15 years progressive financial experience, some with a U.S. "Hi-Tech" firm. Knowledge of Dutch, French, German, and English accounting policies will be ESSENTIAL. Fluency in English (written & spoken) is VITAL. Ability to speak second and third languages (French, German, Dutch, etc.) will be helpful. VERY STRONG computer skills will be imperative with regards to MIS software and hardware installation. Currency hedging experience is mandatory. The position will require some travel, primarily in Europe.

An attractive salary and benefits package commensurate with experience, is offered.

Principals Only! Send resume to:

RasterOps BV, Attn.: Human Resources, Salweg 3, 1118 AA Schiphol South, The Netherlands

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"Define group wide management accounting principles and information needs for a global bank - and then deliver them!"

"Develop a new main-frame financial system from initial requirements to full-scale implementation for a top retail finance business"

"Work with a performance improvement team to give them the financial analysis and modelling skills needed in a finance house restructuring project"

Above are three examples of requests which a member of our banking and securities team might have received during the last twelve months. Could you be one of the professionals we now need in order to grow this team?

You've achieved much in your career so far, gaining in-depth knowledge and a clear commercial focus within banking, building societies or the securities industry. You also have a degree and ACA or CIMA qualification. But those skills which have served your career well to date can be enhanced still further in management consultancy. At Coopers & Lybrand, we offer exceptional individuals the chance to develop their skills and fulfil their potential in a broader context.

Coopers & Lybrand is acknowledged worldwide as a leading management consultancy and accounting firm. Join our Financial Services arm and you'll be part of an established and highly innovative banking and securities team. Operating anywhere in the UK or overseas, and working within project teams of various sizes, you will use your personal experience and initiative to take key decisions and carry through their implementation.

As well as good analytical and problem-solving skills, you'll have the ability to communicate your findings clearly and succinctly. Probably aged 25-35, energetic and determined, you must be able to establish immediate credibility among senior client management.

In return, you'll enjoy excellent career prospects, an impressive remuneration package and individually tailored training. Above all, you will have the opportunity to prove your worth in an environment that is both challenging and enjoyable.

If you believe you can add to the strength of our team, please write with full career details to Jean Richardson, Coopers & Lybrand, Plumtree Court, London EC4A 4HT, quoting reference FT029.

Coopers
& Lybrand

Solutions
for Business

European Finance Director (Designate)

Our client is one of the world's largest and most successful Liner Shipping Companies with an annual turnover, in Europe, in excess of US \$300m. They currently have offices in 14 European countries with their European Headquarters pleasantly located in Suffolk. They have further Head Offices in the Far East and the USA.

Initially you will be appointed to the post of Financial Controller for Europe but it is envisaged that the position will be re-designated to Director status within a two-year period. Reporting to the European Managing Director you will be fully responsible for all financial aspects of five companies including business planning, statutory and management accounting, treasury, budgeting, financial strategy and systems development and enhancement. Considerable European and some Far Eastern travel will be involved.

You will be a qualified accountant, with Pan European experience, sound technical and commercial skills, a thorough knowledge of mainframe applications and be comfortable in a team environment whilst demonstrating a capacity for original thinking. Linguistic abilities would be an advantage.

The salary is negotiable and will reflect both the responsibilities of the position and the size and prestige of this major International Company. Benefits will include a two line executive car.

Detailed letters of application and comprehensive CV's should be sent to Stephen Sheldrake FECI, Executive Director, Marriott Howard Recruitment, 630 Woodbridge Road, Ipswich IP4 4PG.

MarriottHoward
Recruitment

BILINGUAL EUROPEAN FINANCE DIRECTOR

HIGH-GROWTH FORTUNE 500 LOGISTICS START-UP

Berkshire
c.£50,000 + bonus
+ car + attractive benefits

With the experience and resources of a \$0.5bn US corporation to call upon, a new pan-European, added-value, distribution and supplies management business is being established, with a medium-term revenue target approaching \$100m. The concept has been proven over many years in North America and a UK pilot venture has been eminently successful; the next step is to build the UK and French operations, prior to expansion across continental Europe. Crucial to the success of this initiative is the appointment of a highly experienced and versatile European Finance Director.

As a member of the very small executive team, you will contribute significantly to the initial business planning - and then implement it. Drawing upon the knowledge base in the US, you will establish the total finance and

accounting function and develop a sophisticated multicurrency information technology strategy for all business processes; in addition, your contribution to overall decision-making will be invaluable in achieving excellent bottom-line results.

A well-qualified professional - ideally an ACA/FCA or equivalent - you must have entrepreneurial flair and extensive senior financial management experience within a quality industrial manufacturing or service environment. Having spent part of your career living and working in continental Europe, you are bilingual in English and another European language - possibly French or German - and will be able to operate successfully in a new, rapid-growth company where the implementation of proven business systems will be a key priority.

The generous remuneration package reflects the calibre of the individual sought. If you meet the specification, send your cv to Tony MacDonald, Ref: EFD/FT312, PA Consulting Group, St Brandon's House, 29 Great George Street, Bristol BS1 5QT.

PA Consulting
Group

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Group Commercial Director

c.£35k + car + executive benefits Humberside

Our client is a Group of companies involved in construction related activities with an annual turnover of c.£20m.

In line with plans to maximise the effectiveness of the Group and to lay foundations for future growth and development, there is a need to recruit a financially qualified Commercial Director who will bring a blend of highly developed operational and commercial skills to the business.

As an integral part of the Group Management Board, the appointee will take responsibility for ensuring the efficient provision, integrity and development of all financial and management information throughout the Group and for advising on its implications for the business.

The successful candidate will have a thorough working knowledge of the innovation,

development and implementation of information and cost control systems as related to the construction industry.

Technical competence must be blended with commercial flair. Business advisory skills must be founded upon a practical, innovative approach.

If you are a qualified accountant, aged 35-50, with personal qualities including: assertiveness, drive, maturity and tenacity, please apply in writing, with CV and salary details, quoting reference F/312/B, to Paul Bailey, Ernst & Young Corporate Resources, PO Box 3, Lowgate House, Lowgate, Hull HU1 1JJ.

ERNST & YOUNG

FINANCIAL CONTROLLER AND COMPANY SECRETARY

UK Subsidiary of International Truck Manufacturer
Swindon c.£45,000 plus car and benefits

The parent company, with sales of over £3 billion, manufactures and exports a wide range of commercial vehicles, and in the UK it distributes its trucks and buses through a dealership network and a direct sales force. With a turnover of £60 million, the UK operation is profitable and is growing fast to support its ambitious business strategy.

The Managing Director seeks a financial controller to take responsibility for all finance and administration matters, including personnel. The position also encompasses the important role of Company Secretary, and so the ability to handle a broad range of responsibilities, whilst keeping firmly in control of the day to day accounting issues, is fundamental. There is a team of 18 to manage, and it includes a qualified accountant and a systems manager. The company culture and the nature of the role demand a hands on approach but it is also necessary to contribute to the strategic direction of the business. This is a key position within the organisation which runs with a very lean, efficient management team.

Candidates will be qualified accountants, aged between 30 and 45, with several years' experience in the motor industry or a related commercial environment. Applicants need to be disciplined and exacting, whilst retaining flexibility and a creative approach to problem solving. Excellent interpersonal and communications skills are required, and knowledge of the German language would be a considerable advantage.

Please send a comprehensive career résumé, including salary history and daytime telephone number, and quoting reference 3279 to Vivienne Hines, Touche Ross Executive Selection, at the address below.

**Touche
Ross**



MANAGEMENT CONSULTANTS

1st Floor, Hill House, 1 Little New Street,
London EC4A 3TR. Telephone: 071 936 3000.

Price Waterhouse

EXECUTIVE SEARCH & SELECTION

Finance Director

c. £35,000 + Car Midlands

Our client has experienced rapid growth in recent years and is now a market leader in the provision of specialist sub-contractor services to the construction industry. The Group operates across the UK and is currently involved on a number of prestigious contracts.

The Finance Director will head up a small team of accounting personnel and will have total responsibility for all financial matters including statutory and management accounts, profit and loss and cashflow projections, treasury and financial strategy. The position requires a good understanding of computerised systems and spreadsheet modelling.

The position requires a hands-on approach to financial management combined with an ability to stand back and take a broader strategic view. The ideal candidate will possess an organised and pragmatic management style with firm and flexible communication skills relevant to a smaller publicly quoted company.

The successful applicant will have a proven track record at senior management level and will be able to demonstrate a sound understanding of the construction industry from at least five years' experience gained in a similar environment.

Applicants should be qualified chartered accountants in the age range 30-35. The salary and executive benefits will be commensurate with the position.

Our client will have sight of all applications so please list separately any companies to whom you would not wish your application to be sent.

Full career details and current salary quoting reference D/0011 should be sent to:

Mrs J Mehmet
Price Waterhouse
Victoria House
76 Milton Street
Nottingham
NG1 3QV

WORLD ASSOCIATION OF GIRL GUIDES AND GIRL SCOUTS

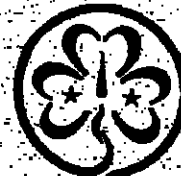
is seeking a

HEAD OF FINANCE AND ADMINISTRATIVE SERVICES TEAM

Experienced manager required for this challenging senior position, to head the Finance and Administrative Services Team at the World Bureau of WAGGGS. The Head of Team is responsible for preparation of annual budgets and annual accounts; provision of financial reports; review of financial control systems; assessment of cash flow requirements; preparation of monthly payroll; administration of pensions; and overseeing the provision of administrative support services for the World Bureau. The Head of Team is responsible for 6 staff (accounts and administrative), and is a member of the Bureau's Management Team.

Experience in management, finance, diverse aspects of accountancy, supervision and administration essential. WAGGGS is a UK registered charity operating internationally; therefore, experience of charitable legislation and finance would be a definite advantage.

International office, flexitime, pension scheme, 28 days' annual leave. Salary negotiable, from £27,000 p.a. Closing date for applications: 22 December 1992; preliminary interviews will be held in January 1993. Please send full C.V. to the Personnel Manager, WAGGGS, World Bureau, 12c Lyndhurst Road, London NW3 5PQ.



Financial Analyst

SE London

£25-30K + Car + Bank Bens

Our client, one of the world's largest and most profitable US based international banks, is seeking a commercially orientated Financial Analyst to work within the UK headquarters of their European division.

This organisation values the contribution to be made by high calibre, commercially aware finance professionals working alongside Product Managers to maximise the profitability of business lines. An exceptional opportunity has arisen within the Finance Group for an analyst to provide business analysis and planning support to the Trading and Corporate Finance teams.

The commercial nature of this opening will appeal to individuals with proven business analysis experience gained within a product related division of a blue chip company.

The successful candidate will ideally be a qualified accountant/MBA with excellent interpersonal skills, enthusiasm and initiative.

The position will involve regular travel to the City and occasionally within Europe. Salary will be accompanied by an excellent range of benefits including company car, mortgage subsidy, non-contributory pension and private medical insurance. Excellent career opportunities also exist for the right candidate.

Candidates interested in this challenging opportunity should apply immediately by sending a full curriculum vitae to Liam Dowds at Michael Page Finance, Cygnus House, 45-47 High Street, Leatherhead, Surrey KT22 8AG.



Michael Page Finance

Specialists in Financial Recruitment
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Nottingham Manchester Leeds Glasgow & Worldwide

Financial Controller

West Midlands

to £40,000 + Bonus + Car

Our client, a division within a highly successful group, is a leading supplier to the automotive industry. The company has embarked on a substantial capital investment programme to consolidate its market leader status.

As a key member of the management team, the Financial Controller will be expected to lead the further development of the finance and IT systems. Significant emphasis will be placed on the ability of the candidate to implement financial control as well as contributing to the commercial management of the business.

The successful candidate will be a qualified accountant, aged up to 40,

who can demonstrate a proven track record in a manufacturing/engineering environment. The company is going through a significant period of growth, therefore the ability to manage change will be a prerequisite. Excellent communication skills, high levels of drive and well developed leadership qualities will also be essential.

Interested applicants should forward a comprehensive curriculum vitae indicating salary aspirations and quoting Ref: 103637, to Tony Gleeson BA, CA at Michael Page Finance, The Citadel, 190 Corporation Street, Birmingham B4 6QD.



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Specialists in Financial Recruitment
London Bristol Windsor St Albans Leatherhead Birmingham
Nottingham Manchester Leeds Glasgow & Worldwide

SANDOZ Management Accountant

Surrey

c £28,000 + Car

Sandoz Pharmaceuticals (UK) Limited is a £65m turnover subsidiary of the leading international chemical and pharmaceutical Sandoz Group (c £6 billion turnover).

As one of the largest pharmaceutical companies in the UK, our client has doubled in size over the last five years. Further dynamic expansion is planned, resulting in the need to strengthen the UK finance function with this key appointment.

Reporting to the Financial Controller, this position will take full responsibility for the preparation of management accounts including budgeting and forecasting, monthly and quarterly reporting to the Swiss parent, capital expenditure appraisal and high-level financial modelling. In addition, the position will co-ordinate the annual budget and 5 Year Business Plan and provide vital support to divisional managers in the ongoing development of the business.

The successful candidate, aged 25-30, will be a graduate qualified accountant of high calibre, with a successful academic record, complemented with at least two years post qualification experience, encompassing both management and financial accounting. Previous experience in a sales and marketing environment is desirable but not essential.

Successful applicants must be ambitious, demonstrating an enthusiastic and outgoing personality, supported by a professional work ethic and the flexibility to deal with the routine as well as challenging aspects of the role.

If you feel you have the background to satisfy and develop this demanding role within such a dynamic organization, then send your curriculum vitae to Liam Dowds at Michael Page Finance, Cygnus House, 45-47 High Street, Leatherhead, Surrey KT22 8AG.



Michael Page Finance

Specialists in Financial Recruitment
London Bristol Windsor St Albans Leatherhead Birmingham
Nottingham Manchester Leeds Glasgow & Worldwide

Financial Controller/ Partnership Secretary

London

c £35,000 + Generous Benefits Package

Our client is a leading independent partnership of actuaries specialising in providing a full range of actuarial and benefit consulting services to pension funds, life insurance and general insurance companies.

A challenging opportunity has been created for an ambitious and motivated individual to establish a financial/management support function to assist the Executive Group.

The primary responsibilities of the individual will include the preparation and presentation of operational budgets, profit and cashflow forecasts and a wide range of other management accounting information. As Partnership Secretary, you will also play a proactive role in establishing the agenda, preparing minutes

and discussing specific business issues at all Executive Group and partners meetings.

Candidates, aged between 30-40, will be qualified accountants and are likely to have gained experience in a similar capacity within a professional services environment. You must possess strong IT skills and a mature attitude, together with the ability to communicate effectively at all levels.

Candidates who meet the above criteria should forward a comprehensive curriculum vitae quoting ref: DU208, to Nigel Milford at Michael Page Finance, Page House, 39-41 Parker Street, London WC2B 5LH.



Michael Page Finance

Specialists in Financial Recruitment
London Bristol Windsor St Albans Leatherhead Birmingham
Nottingham Manchester Leeds Glasgow & Worldwide

Management Accounting Controller

Cambridgeshire

c £35,000 + Car + Benefits

Our client is the European development, manufacturing and distribution centre of a leading US group in the scientific instruments market. Operating in a highly competitive global marketplace, the group is pursuing an aggressive growth strategy, both organically and by way of acquisition and joint venture.

In order to strengthen their financial and commercial expertise, the company is seeking to appoint an ambitious qualified accountant with strong technical, analytical and communications skills. Reporting to the Financial Director and supported by a team of staff, responsibility will encompass all commercial and management accounting activities in relation to manufacturing, marketing, service and R&D, in addition to capital and investment appraisal and the preparation of the annual budget. This is a critical and thus high profile role and the successful candidate, as an integral part of the management team, will be expected to act as a catalyst

in driving and directing the business towards goals of enhanced profitability.

Prospective candidates must be qualified accountants (probably aged 30-40) of graduate calibre and able to demonstrate a successful track record in a hi-tech manufacturing or commercial environment. In addition, candidates should possess the energy and commitment, together with the confidence and presence to operate at board level. Equally important are personal qualities including strong man-management skills and the intellectual ability to contribute to and influence strategic decision making.

Interested applicants should apply in writing, with full curriculum vitae (including a daytime telephone number and details of present remuneration) and quoting reference LN1292 to Bill Greenwell at Michael Page Finance, Centurion House, 136-142 London Road, St Albans, Herts AL1 1SA.



Michael Page Finance

Specialists in Financial Recruitment
London Bristol Windsor St Albans Leatherhead Birmingham
Nottingham Manchester Leeds Glasgow & Worldwide

FINANCIAL DIRECTOR A BUSINESS OPPORTUNITY

A HIGH CALIBRE FINANCE DIRECTOR, AGED 28-35, IS SOUGHT FOR A POSITION OF EXCEPTIONAL INTEREST AND PROSPECTS. THE CHALLENGE WILL BE TO JOIN A COMPANY

TEAM OF COMMITTED, AMBITIOUS PROFESSIONALS IN A COMPANY OF CONSIDERABLE POTENTIAL AND TO BUILD A BUSINESS OF SIZE AND QUALITY.

MY CLIENT IS ALREADY A LEADING PLAYER IN ITS SECTOR, MANUFACTURING AND SELLING ITS OWN BRANDED PRODUCTS. AT A CURRENT TURNOVER OF £8M, IT HAS EXPERIENCED RAPID GROWTH OVER THE LAST FIVE YEARS, HAS CONTINUED THIS

THROUGHOUT THE RECESSION AND IS POISED FOR FURTHER SUBSTANTIAL DEVELOPMENT. THE BOARD SEeks A GRADUATE ACCOUNTANT WITH GOOD INDUSTRIAL EXPERIENCE AND

ENTREPRENEURIAL FLAIR WHO WILL MAKE THINGS HAPPEN BY CONVICTION AND LEADERSHIP. THE SUCCESSFUL CANDIDATE WILL THEREFORE NOT ONLY BRING STRONG FINANCIAL MANAGEMENT SKILLS BUT WILL BE WELL POSITIONED TO CONTRIBUTE DIRECTLY TO THE LONG TERM STRATEGY AND SUCCESS OF THE BUSINESS.

THIS KEY ROLE WILL ATTRACT A BENEFITS PACKAGE WHICH WILL INCLUDE AN ATTRACTIVE BASIC SALARY, BONUS, CAR AND FUTURE EQUITY PROSPECTS. THE SHAREHOLDERS SEE THE NEED FOR MAXIMUM COMMITMENT TO MEET THESE LONG TERM GOALS AND AS A FURTHER PART OF THIS, RELOCATION AWAY FROM THE SOUTH EAST TO A CUSTOM-BUILT PLANT WILL TAKE PLACE WITHIN 2-3 YEARS.

WRITE IN CONFIDENCE, STATING SALARY EXPECTATIONS TO:
WILLIE FINLAYSON, COBURN BLAIR
63 GEORGE STREET, EDINBURGH, EH2 2JG. TEL 031 220 0121

COBURN BLAIR

Insolvency Partner Designate Guildford

Leach Bright, one of the largest and most progressive independent accountancy practices in the South East of England, wishes to raise the profile and increase the capacity of its Corporate Support and Insolvency Division by the appointment of an additional licensed insolvency practitioner. This has created an outstanding opportunity to join a well established function at a senior level and to play a significant part in its further growth.

The firm is seeking a qualified accountant and licence holder with considerable experience in insolvency work. As there will be a strong initial emphasis on business development, excellent banking relationships in the South East are an important requirement. Candidates must possess good interpersonal and communication skills and

are likely to be in the age range 30-45. The position will be based at the firm's attractive Guildford headquarters. The salary envisaged and the opportunity for early partnership status reflect the commitment to attracting one of the best practitioners available in this field.

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3 The Parade, Farnham, Surrey GU14 6AR
(Tel: 0252 735996).

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RECRUITMENT

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Clive Discount Company Limited, a leading discount house in the City of London and member of the London Discount Market Association, has recently formed a new subsidiary, Clive Agency Bond Broking Limited, with the intention of establishing a comprehensive broking service in Gilts, Euro-Steering and other Foreign Bonds.

The new subsidiary company now seeks to recruit several individuals with wide experience of sales and dealing in the relevant markets.

Applicants should be high calibre, ambitious individuals who can succeed in a demanding but rewarding environment.

Career prospects are excellent for successful candidates, who will derive considerable benefit from working within a major international financial services group.

Please respond, in complete confidence, at the earliest opportunity, during office or evening hours, to either Peter Giblin or Christina Wright at Axiom Advisers Ltd, 40 Long Acre, London WC2E 8JT. Tel. 071 836 8722. Fax. 071 836 6066

Clive Discount Company Limited
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With the present Bursar retiring in late 1993, the need is for a successful senior manager, almost certainly an accountant, who has good experience of using finance as a business tool, and strong management accounting and systems development experience. A good record of human resource management is mandatory.

Intellectual capability will be demonstrated by a good degree or professional qualification.

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Please reply in strict confidence, giving details of career and salary progression, age, education and qualifications to Barry Underwood, Adviser to the Governors, at Otteridge & Company, Griffin House, 161 Hammersmith Road, London W6 8BS. Please quote reference 366/FT.

OTTERIDGE
& COMPANY

COMMODITIES AND AGRICULTURE

Opec fails to talk up oil price

By Deborah Hargreaves

TELEPHONE DIPLOMACY briefly talked up the oil price yesterday as ministers from the Organisation of Petroleum Exporting Countries tried to restore oil traders' faith in last week's agreement.

But futures traders remain sceptical that Opec can stop the slide in world oil prices, which have lost over \$1 a barrel since last week. In volatile trading, the price of North Sea Brent crude for January delivery closed at \$18.15 a barrel, a drop of 25 cents.

Brent prices had recovered slightly after a weak opening, following strong statements from Opec, but the market lost its gains at the close of trading.

"The Opec agreement is all right under the circumstances but with a surplus in product stocks, it was just not enough," said Mr Andy LeBow, a trader

at E.D. & F. Mann in New York.

Prices on the New York Mercantile Exchange weakened after a report by the American Petroleum Institute on Wednesday that US crude stocks rose by 1.08m barrels last week to 335.15m barrels. The January crude futures price slipped 33 cents yesterday to \$19.12 a barrel.

Opec is stressing that last week's agreement to cut output to 24.58m barrels a day will cover sales to the market and not just well-head production. This means the organisation will not release stocks on to the market if supply becomes tight this winter.

However, oil companies are holding substantial stocks of oil products such as gasoline and distillates which could depress the market if colder winter weather does not increase demand.

Palladium price pushed to highest for 21 months

By Kenneth Gooding, Mining Correspondent

PALLADIUM, A platinum group metal used by the electrical and dental industries and by car catalyst producers, was at the centre of a speculative overnight rally in New York and Tokyo and then its price was fixed in London yesterday morning at \$101.80 a troy ounce, the highest since April, 1991.

Mr Neil Carson, marketing director, platinum, for Johnson Matthey, the precious metals group, suggested that underlying the rise was a sharp increase to 10 per cent in the rate for leasing palladium. This was probably the highest level seen for two years and well above the cost of money.

Many palladium leases were due to mature in December and some users were almost certainly borrowing US dollars to buy the metal rather than renewing their leases. This would put more pressure on a market which JM believed would this year suffer a supply

deficit. Mr Carson recalled that a recent JM study suggested palladium supply, including sales to the west from Russia, the world's biggest producer, would this year total 3.75m ounces while demand would move up to 3.86m, leaving a shortfall of 110,000 ounces.

The electrical industry, which uses about 1.8m ounces a year and where palladium is employed mainly in multi-layer ceramic capacitors found in products such as computers and video recorders, and the dental industry (1.2m ounces a year), which uses it in alloys to fill teeth, provide most of the demand for the metal. But palladium for anti-pollution car catalysts is expected to grow by a third this year and show the fastest growth.

Palladium's price eased to \$100.85 an ounce at the afternoon "fix" in London yesterday, up \$3.35. Some analysts expected the price to fall back to \$98 but others suggested that, if it closed above \$103 in New York it could climb towards \$127.

Brazilian orange boost

By Bill Hinchberger in Sao Paulo

THE 1992-93 orange harvest in the Brazilian state of Sao Paulo should be 18 per cent higher than last season at 239.6m boxes, 6 per cent above previous expectations, according to an industry study.

Sao Paulo accounts for 98 per

cent of Brazil's orange output. The increase in Brazilian production and a 34 per cent jump in Florida output are primarily responsible for the low price of oranges in 1992-93. Mr Ademerval Garcia, president of the Brazilian Association of Citrus Exporters, Brazil's higher yield results mainly from high rainfall.

Where paper profits are growing up a gum tree

THE MONKEY puzzle is probably Chile's best-known contribution to the world of trees. But its commercial use being prohibited, the country's timber business is built on the pine and other softwoods that thrive in its temperate climate, writes David Lascelles in Santiago.

Five hundred miles south of the capital, near the provincial town of Los Angeles, a new industry is evolving round the eucalyptus. Once imported from Australia, the tree is now a familiar sight in the rolling hills of Chile's south central region.

The eucalyptus has taken well to Chile. In the right conditions it grows as much as a foot a month, reaching a harvestable height of 25 metres

within eight to ten years. Much of the pioneering work is being done by Santa Fe Group, a wood pulp joint venture 60 per cent owned by Royal Dutch Shell, and 20 per cent each by Scott Paper and Ciba-Bank, which converted some of its outstanding Chilean debt into the investment. Founded in the late 1980s, Santa Fe now owns 49,000 hectares (120,000 acres) of plantations, of which 32,500 are planted.

According to Mr Ian Powell, resource manager in the forestry division, much of the land needed through restoration before it could be used. Years of cattle farming had compacted the soil, requiring it to be ploughed to a depth of 80 cm to

loosen it up. Large quantities of fertiliser and weedicides were also needed to "control the competition", as he puts it.

In the nurseries on the outskirts of Los Angeles, the company is developing two strains: *eucalyptus globulus* and the more frost-resistant *eucalyptus nitens*. Considerable work has gone into genetic improvement using cloning technology developed by Shell researchers at their laboratory in Sittingbourne in Kent.

The highly automated nurseries have a capacity for 10m seedlings, which are grown under wide net tents and watered with a special mix of nutrients fed by sprinklers. The seedlings are kept for up to 10

months before being planted out. The nursery and plantations will eventually provide all the raw material for Santa Fe's pulp plant to the west of Los Angeles. But at the moment the 18-month-old facility still has to buy in a third of its annual 800,000-cubic metre requirement from other sources.

The importance of eucalyptus is that it provides a ready source of short-fibre pulp, as opposed to the long fibre in pine wood. Short fibre has special uses, such as tissues.

The plant's output is 250,000 tonnes a year and the bulk of its \$100m-a-year sales go to Scott Paper affiliates.

Although Santa Fe marks an

advance for the Chilean timber industry, its timing has been bad. Mr Nick Whalley, the executive vice president, expects recent softness of the pulp market to delay the venture's move into profit. "The short term profitability is not good," he says, "but we project substantial financial returns two to three years from now."

One of the heavy costs in establishing the plant has been environmental control, which Mr Pedro Navarrete, the plant's environmental engineer, estimates to have accounted for \$38m of the investment. Like many foreign ventures, Santa Fe is expected to abide by the highest environmental standards, while local, state-owned competitors have more leeway.

Chile prepares copper for the melting pot

Leslie Crawford on tentative steps on the road to a controversial partial privatisation

THE CHILEAN government is understood to be considering the division of Codelco, the state copper company, into four independent units as a first step towards the partial privatisation of the world's biggest copper producer.

Opening Codelco to private investors is seen as the best long-term solution to a number of problems afflicting the company. The government is trapped in a double-bind: the income it gets from Codelco is falling and at the same time it has been unable to allocate sufficient investment funds to reverse the trend of rising production costs and dwindling reserves at Codelco's existing mines.

In 1989, Codelco's net earnings amounted to \$2.8bn, or 6.5 per cent of GDP, for the treasury. This year the figure is expected to drop to below \$900m. According to TASC, a group of economic consultants to the Chilean parliament, lower copper prices forecast for next year will further reduce Codelco's contribution to about \$400m or 1 per cent of GDP.

Codelco, which owns a third of all registered mining property in Chile, has a list of projects it wants to develop, alone or with partners in the private sector, and has asked the finance ministry for a \$600m investment budget next year. The company's executives think, however, that they will be lucky to get \$450m.

"As a state company, we compete with health, housing and education for the government's limited resources," says Mr Ignacio Guerrero, Codelco's financial director. Codelco's executives have won the backing of the finance ministry for divesting non-core businesses to raise extra investment funds. Top of their list is Tocopilla, the \$30m power plant in the Atacama desert that feeds electricity to Chuqui-



Codelco operates the world's two biggest copper mines

camata and La Escondida, the world's two biggest copper mines.

Executives say selling Tocopilla could finance the \$450m development of Radomiro Tomic, an ore body near Chuquibambilla, which could be producing 150,000 tonnes of copper a year from 1995, if the project goes ahead as planned. Codelco has also discovered another important copper deposit near Chuquibambilla, named M.M., which has reserves of between 600m and 900m tonnes.

The privatisation of Tocopilla is being resisted by the Mining Minister, Mr Alejandro Haes, and the Copper Workers' Union (CTC) neither of which wants to see Codelco dismembered. Union sentiment is running so high that even the relatively innocuous move to split off Codelco's maintenance works from the Teniente division sparked protests and go-slows this month.

The Mining Ministry has invited Codelco's management and the union later this month to discuss the company's modernisation. Given the almost

sacrosanct nature of Codelco's public ownership, enshrined in the Chilean constitution, modernisation has become a code-word in Chile for ideas such as divestiture and privatisation that cannot be named openly.

Mr Ivan Valenzuela, the deputy mining minister, says the main topics under discussion will be how to generate more resources for the development of Codelco's mineral deposits. "We are trying to prepare the ground so that there is the least possible political resistance to the government's plans," he says.

As a first step, says the deputy minister, the government would like to decentralise management to give Codelco's four divisions - Chuquibambilla, El Teniente, Salvador and Andina - more autonomy in the running of their own affairs. Many inefficiencies, he says, are now masked by cross-subsidies.

There will also be an attempt to persuade the 19,000-strong CTC that divesting from Tocopilla, where only 500 jobs are at stake, will allow the cre-

ation of more mining jobs in Codelco's new projects. The company's management wants to discuss other ways of raising investment finance. One proposal gaining support is to tap the \$15m of savings managed by Chile's private pension funds and insurance companies.

Mr Alejandro Foxley, Chile's finance minister, is preparing new legislation to widen the investment options open to private pension funds. Although the details have yet to be made public, the new law might allow pension funds to take part in project finance, including the new mines Codelco wants to develop. The idea is likely to please nationalists of both right and left, as the pension funds would be channeling domestic savings into the development of the state copper industry.

The pension funds are eagerly awaiting the new investment regulations. But they say they will measure Codelco's projects against the same criteria that they use to analyse other investment options. "We will look at the risk and the return. Nobody can force pension funds to invest in Codelco," says Mr Augusto Iglesias, a pension fund consultant.

From there, Codelco's executives argue, it is a short step to opening up the company to new shareholders. However, the mining ministry insists that the ownership of Codelco is not under discussion. "This is not the right political moment for a hitkizny," Mr Valenzuela says.

With general elections in Chile only one year away, however, Mr Valenzuela concedes that the nature of Codelco's ownership will be a political issue on the platform of every party. Mr Ricardo Lagos, the Socialist presidential candidate, says there should be no "sacred cows" as far as Codel-

co's future is concerned. "The main problem of privatising Codelco," he says, "is having one partner, the armed forces, which take 10 per cent of Codelco's gross sales." This amounted to \$277m last year. Mr Lagos believes the military rights over Codelco's earnings will have to be scrapped for privatisation to become a realistic proposition. But this in turn would require a revision of military income and expenditure - a subject which remains strictly out of bounds for civilians despite the formal end of military rule in 1990.

Codelco's El Teniente division has negotiated collective wage agreements with two unions representing 1,500 workers, a quarter of the total workforce. Although the present two-year contracts do not expire until July 1993, Codelco offered to bring forward wage negotiations to avoid a repetition of the damaging wage strikes that hit El Teniente and Chuquibambilla in 1991.

The new two-year contracts for the unions that agreed to advance wage negotiations come into effect immediately. They include a no-strike bonus of 210,000 pesos (\$390), higher productivity incentives and a profit-sharing scheme for Codelco's employees.

Codelco executives have hailed the agreement as a new departure in labour relations. Mr Pedro Courard, El Teniente's general manager, said the absence of labour strife and lower absenteeism in 1992 had allowed the mine to step up output this year to 300,000 tonnes of refined copper, from 276,000 tonnes in 1991. He said El Teniente planned to invest \$712m between 1993-2000 to bring new areas into production.

Although the mine still has huge reserves, most of these are located in brittle primary rock which are costly and difficult to exploit.

Indian mine project cancelled

By Kanai Bose in Calcutta

HINDUSTAN COPPER has decided not to go ahead with the development of the Malankhand underground copper mine after failing to find a foreign joint venture partner.

On its own, Hindustan Copper, an Indian government undertaking, is not in a position to mobilise Rs200m (\$470m) to finance the mine development and a 60,000 tonnes-a-year copper smelter.

According to Mr Ved Leekha, the company's chairman, Hindustan Copper sought to interest Outokumpu of Finland, Codelco of Chile and Mamaco of Zambia in the project. Bishimati, Exploration of Japan has estimated in its feasibility report that up to 5m tonnes of copper ore can be extracted from the underground mine of Malankhand in Madhya Pradesh. The Malankhand reserves are estimated at 275m tonnes.

The viability of the project, according to Mr Leekha, has also become somewhat doubtful as the copper content in the Malankhand ore is now found to be less than 1 per cent, with hardly any traces of silver and gold, compared with the 1.28 per cent thought earlier.

Mr Leekha said that Hindustan Copper had now two alternatives. It might develop the mine "with or without a cut-off grade" and go up to the copper concentration stage. The concentrates would then be smelted abroad. Alternatively, to keep the investment low, Hindustan Copper might opt for mining of 2.5m tonnes of ore. In either case, the company would seek a private sector partner, whether local or foreign.

India's domestic production of copper will be 45,500 tonnes this year, while demand is estimated at 160,000 tonnes.

WORLD COMMODITIES PRICES

MARKET REPORT

Prices on the LME continued to fluctuate irregularly as the market sought to establish a fresh set of trading ranges after, apparently, bottoming out of its bear trend, traders said. Setbacks found support at well above levels ruling a month ago but there is still considerable resistance to stall prices before a significant rise can gather momentum. Support for three-month COPPER is being found on dips to around \$2,160 a tonne whereas in early November support was in the \$2,125-\$2,130 band. Three-month ZINC and ALUMINIUM seem

to be underpinned at \$1,070 and \$1,200 compared with \$1,030 and \$1,160 respectively. London's robusta COFFEE futures were showing signs of resuming their uptrend by the close after absorbing a bout of profit-taking. Dealers said the mood on fundamentals and technicals remained bullish after Wednesday's rise to a 10-month peak. London COCOA ended near the day's lows on sterling's strength against the dollar and the French franc.

Compiled from Reuters

LONDON Markets

SPOT MARKETS

Crude oil (per barrel FOB)(Jan) + or -
Dubai \$18.05-10 -0.35
Brent Blend (dated) \$18.15-20 -0.25
Brent Blend (Jan) \$18.10-15 -0.25
WTI (1st Jan) \$18.10-20 -0.25

OIL PRICES

(NWE prompt delivery per tonne CIF + or -)

Premium Gasoline \$18.197 -0.3
Gas Oil \$17.478 -0.5
Heavy Fuel Oil \$17.76 -0.5
Naphtha \$17.174 -0.5

Petroleum Argus Estimates

Other + or -
Gold (per troy oz) \$335.75 -0.7
Silver (per troy oz) \$278.50 -0.8
Platinum (per troy oz) \$369.50 -0.25
Palladium (per troy oz) \$160.85 +3.25

Copper (US Producer)

Lead (US Producer) 33.50
Tin (Kuala Lumpur market) 14.50 +0.45
Tin (New York) 289.50
Zinc (US Prime Western) 60.00

Cattle (live weight)

Sheep (live weight) 72.25p +1.04
Pigs (live weight) 80.00p +1.37

London daily sugar (raw)

London daily sugar (white) \$22.50 +0.4
Tate and Lyle export price \$24.5 -1.5

Barley (English feed)

Maize (US No. 3 yellow) \$135.0
Wheat (US Dark Northern) 100.00

Rubber (Latex)

Rubber (Latex) \$2.75p -0.25
Rubber (RSS No. 1 Jan) 224.00

Cocoa oil (Philippines)

Palm Oil (Malaysia) \$47.5
Copra (Philippines) \$17.5
Soyabean (US) \$16.5p -0.5
Cotton "A" India \$3.00p +0.1
Wooltops (64s Super) 420p -7

E & L tonnes unless otherwise stated. p-pence/kg.

c-cents/kg. r-rings/kg. y-JanFeb y-Jan. =Dec/Jan. =Jan/Feb. Most Minimum Commission average

tabletop prices. Changes from a week ago. *London physical. **CF Rotterdam. ***Bullion market close. m-Malaysian cents/kg. @-copper prices are now live weight prices.

COCOA - London FOX

Close Previous High/Low

Dec 698 704 707 695
Jan 727 735 738 723
Mar 744 750 751 738
Jul 758 766 768 755
Sep 774 780 782 773
Dec 796 802 801 793
Mar 817 822 822 815
May 833 837 840
Sep 852 858 853

Turnover: 2563 (3189) lots of 10 tonnes

1000 indicator prices (800s per tonne). Daily price for Dec 2 791.47 (787.79) 10 day average for Dec 3 781.65 (781.25)

COFFEE - London FOX

Close Previous High/Low

Jan 985 985 991 978
Mar 1005 999 1000 990
May 988 987 992 984
Jul 989 1002 998 987
Sep 989 1015 1004 999

Turnover: 3063 (3687) lots of 5 tonnes

1000 indicator prices (800s per tonne). Daily price for Dec 2 991.47 (787.79) 10 day average for Dec 3 781.65 (781.25)

SOYABEAN - London FOX

Close Previous High/Low

Dec 150.00 148.00
Jan 150.00 148.00
Mar 150.00 148.00
Jul 150.00 148.00
Sep 150.00 148.00

Turnover: 0 (0) lots of 20 tonnes.

FRIEDRICH - London FOX

Close Previous High/Low

Dec 1315 1272 1315 1290
Jan 1291 1272 1291 1265
Mar 1270 1270 1270 1255
Jul 1264 1245 1265 1250
Oct 1237 1210 1237 1200
Dec 1232 1232 1232 1200

Turnover: 102 (122)

GRAIN - London FOX

Close Previous High/Low

Jan 132.75 131.65 132.75 131.25
Mar 134.25 133.75 134.25 134.00
May 137.10 136.40 137.10 135.00
Sep 106.50 106.50 106.50 106.50
Nov 109.50 110.50 109.50 109.50

Turnover: 102 (122)

PQRS - London FOX (Cash Settlement) p/kg

Close Previous High/Low

Jan 104.0 105.00
Turnover: 0 (11) lots of 3,250 kg

LONDON METAL EXCHANGE

(Prices supplied by Associated Metal Trading)

Aluminium, 99.7% purity (\$ per tonne)
Cash 1185.5-54.5 1185.5-54.5
3 months 1209-07 1211-12 1217/1206 1207-07.5
Copper, Grade A (\$ per tonne)
Cash 1385.5-57.5 1400-01 1383.5/1382 1383.5-53.5
3 months 1410.5-11 1423-24 1415/1405 1411-12 154,822 lots
Lead (\$ per tonne)
Cash 265.5-54.5 265.5-54.5
3 months 264.5-55 265.5-55 264.5-55 264.5-55
Nickel (\$ per tonne)
Cash 5670-75 5645-50 5635-45 5650-70
3 months 5645-50 5620-25 5780/5600 5645-50 40,001 lots
Tin (\$ per tonne)
Cash 5670-75 5645-50 5635-45 5650-70
3 months 5645-50 5620-25 5780/5600 5645-50 10,236 lots
Zinc, Special High Grade (\$ per tonne)
Cash 1085.5-11.5 1085.5-11.5 1087/1072 1075-75 75,134 lots
LME Closing US rate
SPOT 1.5955 3 months 1.5545 6 months 1.5454 9 months 1.5361

LONDON BULLION MARKET

(Prices supplied by M Rothschild)

Gold (troy oz) \$ price £ equivalent

Cash 333.60-336.00 335.00 336.00
Opening 333.60-336.00 335.00 336.00
Afternoon 333.60-336.00 335.00 336.00
Day's low 333.60-336.00 335.00 336.00
Local Lead Mean Gold Lending Rate (Vs US\$)
1 month 1.91 6 months 2.32
2 months 1.98 12 months 2.60
3 months 2.00

SILVER 500 troy oz cent/voy oz

Close Previous High/Low

Dec 365.5 365.5 365.5 365.5
Jan 365.5 365.5 365.5 365.5
Mar 365.5 365.5 365.5 365.5
Jul 365.5 365.5 365.5 365.5
Sep 365.5 365.5 365.5 365.5
Dec 365.5 365.5 365.5 365.5

SILVER 500 troy oz cent/voy oz

Close Previous High/Low

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SILVER 500 troy oz cent/voy oz

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SILVER 500 troy oz cent/voy oz

Close Previous High/Low

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Dec 365.5 365.5 365.5 365.5

SILVER 500 troy oz cent/voy oz

Close Previous High/Low

Dec 365.5 365.5 365.5 365.5
Jan 365.5 365.5 365.5 365.5
Mar 365.5 365.5 365.5 365.5
Jul 365.5 365.

FT-SE Actuaries Share Indices THE UK SERIES

and there was some selective demand among the pharmaceutical stocks. UK store and retail issues held steady as sector analysts began to look for signs of some recovery in consumer spending which would boost Christmas spending patterns.

UK banking stocks also looked firmer, with Royal Bank of Scotland supported following the results, despite the

expected news on bad debts. HSBC rallied from the losses suffered in the wake of the fall in the Hong Kong stock market as some UK strategists began to predict that the Far Eastern market was due for a recovery in confidence.

Market strategists remained fairly confident, commenting that it was not unexpected that the London market should jolt at breaking through the FTSE 2,900 mark after rising so rapidly over the past week. The general consensus that the Footsie will close just above 2,900 at the end of the calendar year seemed to be holding.

Account Opening Dates		
First Dealings: Nov 18	Nov 30	Dec 14
Open Orderations: Nov 25	Dec 10	Dec 30
Last Dealings: Nov 27	Dec 11	Dec 31
Account Day: Dec 7	Dec 21	Jan 11

*Note that dealings may take place from 9.30am on business days earlier.

Share index

(John), RSA International, Quality Care
Horns, Page (Michael), Morgan
Greiffelt Equity Income Trust, Grampian
Television, Servotems, Leslie Wine
Co., The American Cancer Society, Ings,
Hickling Pentecost, Sheffield Insurance
Group, I & S UK Smaller Companies
Trusts, Moss Bros Group, Rossmore.

To be excluded from the FT-A All-Share Index 4.8 governing liquidity of trading:

Camellia, Derwent Valley Holdings, Greycoat, Higgs & Hill, Lilley, P & P, Top Estates, Warford Investments.

Secondary lines to be excluded from the FT-SE 100 Index:

Paterson Zochonis, Gastner Holdings, Macdonald Martin Distillers. (The weighing of the primary lines of these companies will be adjusted to reflect the full value of the company.)

All-Share constituents which are outside the FT-SE Actuaries 350 will form

The FTSE SmallCap, to be introduced from December 31 1992.

The FT 71 will publish a complete list of the SmallCap constituents in Monday's paper.

BRITISH FUNDS

	Notes	Price £	%	1992
"Phoenix" (Asset up to Five Years)		100	—	250
10/10/1992		100	—	250
12/10/1992		100	—	250
13/10/1992		100	—	250
14/10/1992		100	—	250
15/10/1992		100	—	250
16/10/1992		100	—	250
17/10/1992		100	—	250
18/10/1992		100	—	250
19/10/1992		100	—	250
20/10/1992		100	—	250
21/10/1992		100	—	250
22/10/1992		100	—	250
23/10/1992		100	—	250
24/10/1992		100	—	250
25/10/1992		100	—	250
26/10/1992		100	—	250
27/10/1992		100	—	250
28/10/1992		100	—	250
29/10/1992		100	—	250
30/10/1992		100	—	250
31/10/1992		100	—	250
1/11/1992		100	—	250
2/11/1992		100	—	250
3/11/1992		100	—	250
4/11/1992		100	—	250
5/11/1992		100	—	250
6/11/1992		100	—	250
7/11/1992		100	—	250
8/11/1992		100	—	250
9/11/1992		100	—	250
10/11/1992		100	—	250
11/11/1992		100	—	250
12/11/1992		100	—	250
13/11/1992		100	—	250
14/11/1992		100	—	250
15/11/1992		100	—	250
16/11/1992		100	—	250
17/11/1992		100	—	250
18/11/1992		100	—	250
19/11/1992		100	—	250
20/11/1992		100	—	250
21/11/1992		100	—	250
22/11/1992		100	—	250
23/11/1992		100	—	250
24/11/1992		100	—	250
25/11/1992		100	—	250
26/11/1992		100	—	250
27/11/1992		100	—	250
28/11/1992		100	—	250
29/11/1992		100	—	250
30/11/1992		100	—	250
1/12/1992		100	—	250
2/12/1992		100	—	250
3/12/1992		100	—	250
4/12/1992		100	—	250
5/12/1992		100	—	250
6/12/1992		100	—	250
7/12/1992		100	—	250
8/12/1992		100	—	250
9/12/1992		100	—	250
10/12/1992		100	—	250
11/12/1992		100	—	250
12/12/1992		100	—	250
13/12/1992		100	—	250
14/12/1992		100	—	250
15/12/1992		100	—	250
16/12/1992		100	—	250
17/12/1992		100	—	250
18/12/1992		100	—	250
19/12/1992		100	—	250
20/12/1992		100	—	250
21/12/1992		100	—	250
22/12/1992		100	—	250
23/12/1992		100	—	250
24/12/1992				

Year to Fifteen Years			
Each 15pc 1997	1262	131	1
04-yr 1998	1087	111	
Each 15pc 1998-2000	20	22	
Each 04-yr 1998-2001	67	86	
152pc 2001	1343	137	1
Each 15pc 1998	1187	121	16
Each 04-yr 1998-2001	993	127	

DOWNSON 70pc 1980	1720	+	720	10
Spc 200011	1700	+	1600	8
rem 15pc 2000	1250	+	1250	7
10pc 2001	1150	+	1150	5

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FT-SE Actuaries Share Indices THE UK SERIES

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EQUITY GROUPS & SUB-SECTIONS		Thursday December 3 1992							Wed Dec 2	Tue Dec 1	Mon Nov 30	Year to Sept
Figures in parentheses show number of stocks per section		Ex- Div. Yield (%) (Mkt.)	Day's Change %	Ex- Div. Yield (%) (Mkt.)	Green Div. Yield (%) (Act at 25%)	Ex- Div. Yield (%) (Mkt.)	as of 1992 to date	Index No.	Index No.	Index No.	Index No.	
1	CAPITAL GOODS (175)	903.72	+0.5	7.05	5.33	18.47	30.83	799.88	801.81	789.94	723.45	
2	Building Materials (23)	781.30	-0.4	6.75	5.30	20.93	37.11	788.79	781.38	768.51	654.45	
3	Construction (26)	740.41	-0.6	6.75	5.30	20.93	37.11	788.79	781.38	768.51	654.45	
4	Electricals (9)	2238.46	-0.2	7.51	6.76	17.42	108.10	2209.07	2207.06	2180.10	2316.66	
5	Electronics (28)	2194.55	-0.1	7.01	5.32	18.11	51.29	2176.23	2176.23	2192.52	2192.52	
6	Engineering-Aerospace (6)	271.16	+3.6	13.05	8.66	9.75	15.92	261.25	262.36	256.41	323.93	
7	Engineering-General (43)	470.16	+1.4	8.46	5.99	15.10	19.20	464.29	466.28	458.49	499.49	
8	Metals and Metal Forming (7)	299.50	+0.8	5.68	4.29	25.68	3.58	297.24	297.24	296.99	296.99	
9	Motor (15)	344.61	-0.5	5.80	4.82	27.17	17.59	339.18	339.18	337.17	278.77	
10	Other Industrials (18)	1074.47	-0.4	6.68	4.18	16.23	1862.52	1077.28	1077.28	1077.28	1077.28	
11	CONSUMER GROUP (152)	1715.26	-0.2	6.80	3.41	18.28	41.31	1711.77	1722.59	1717.59	1546.70	
12	Brewers and Distillers (25)	2022.07	-0.7	8.20	3.73	14.78	43.06	2041.06	2041.06	2041.06	2041.06	

91 91	-0.2	8.09	4.14	15 43	39.42	1294 68	1291 54	1278 54	1176
99 73	+0.7	8.23	3.00	15 51	70 26	3107 77	3106 28	3103 74	2391

29	Health and Household (26)	4332.41	-0.6	5.17	2.63	22.85	87	89	1086.20	4337.47	1419.00	4223.23	1419.00
30	Health and Leisure (18)	1230.38	-0.2	6.94	2.70	18.49	49	49	1207.10	1236.60	419.00	1236.60	419.00
31	Health and Leisure (18)	1230.38	-0.2	6.94	2.70	18.49	49	49	1207.10	1236.60	419.00	1236.60	419.00
32	Health and Leisure (18)	1230.38	-0.2	6.94	2.70	18.49	49	49	1207.10	1236.60	419.00	1236.60	419.00
33	Packaging, Paper & Printing (3.7)	763.70	-1.1	6.80	2.46	18.12	34	33	755.99	767.70	741.00	741.00	741.00
34	Stores (3.5)	1137.34	-0.1	6.94	3.18	20.67	26	24	1132.87	1138.90	1120.00	1120.00	1120.00
35	Textiles (10.0)	706.47	-0.2	6.73	3.14	18.75	34	34	710.96	703.65	693.00	693.00	693.00
36	Textiles (10.0)	706.47	-0.2	6.73	3.14	18.75	34	34	710.96	703.65	693.00	693.00	693.00
37	Business Services (11.5)	1435.78	-0.2	6.18	3.54	19.82	34	30	1432.46	1437.49	1421.73	1370.00	1370.00
38	Chemicals (22)	1386.02	-1.2	6.10	5.29	19.10	54	56	1369.94	1364.83	1350.00	1350.00	1350.00
39	Electronics (1.0)	1386.69	-0.2	8.35	7.81	15.37	40	40	1388.93	1387.00	1377.00	1377.00	1377.00
40	Transport (2.0)	1386.69	-0.2	8.35	7.81	15.37	40	40	1388.93	1387.00	1377.00	1377.00	1377.00
41	Electricity (1.6)	1498.78	-0.2	14.22	4.97	9.05	55	51	1496.51	1491.36	1480.27	1446.00	1446.00
42	Telephone Networks (4.0)	1682.42	-0.4	7.93	10.40	16.48	48	48	1685.25	1681.23	1688.23	1688.23	1688.23
43	Telephone Networks (4.0)	1682.42	-0.4	7.93	10.40	16.48	48	48	1685.25	1681.23	1688.23	1688.23	1688.23
44	Miscellaneous (2.2)	2423.48	-0.6	5.86	1.18	21.07	60	58	2409.29	2423.93	2404.74	2404.74	2404.74
45	INDUSTRIAL GROUP (482)	1386.51	-0.4	7.92	12.42	16.72	39	37	1383.19	1371.01	1363.04	1363.04	1363.04
51	Oil & Gas (18)	2152.41	-5.6	6.20	6.02	21.19	103	107	2184.62	2166.13	2125.00	2125.00	2125.00
52	500 SHARE INDEX (500)	1460.97	-0.3	7.36	4.40	17.09	64	69	1457.14	1466.13	1458.24	1458.24	1458.24
61	FINANCIAL GROUP (82)	844.02	-0.2	5.20	-	-	32	32	844.25	856.07	878.00	878.00	878.00
62	Banks (9)	1157.54	-0.5	5.31	4.81	28.20	40	42	1152.06	1154.73	1157.00	1157.00	1157.00
63	Insurance (Composite) (7)	615.92	-2.0	-	4.89	-	25	25	628.67	648.73	647.00	647.00	647.00
64	Insurance (Composite) (7)	615.92	-2.0	-	4.89	-	25	25	628.67	648.73	647.00	647.00	647.00
65	Insurance (Brokers) (1.0)	707.22	-0.6	8.88	7.57	15.13	47	47	703.12	708.72	706.00	706.00	706.00
66	Merchant Banks (16)	465.28	-0.2	4.92	14.25	18.79	34	34	464.48	468.94	464.00	464.00	464.00
67	Property (1.0)	277.32	-0.2	7.90	12.75	10.01	37	37	277.32	277.32	277.32	277.32	277.32
70	Other Financial (14)	277.32	-0.2	8.42	20.17	17.75	10	10	277.32	277.32	277.32	277.32	277.32
71	Investment Trusts (6.9)	1273.65	-0.1	3.40	-	-	40	40	1274.48	1281.63	1281.00	1281.00	1281.00
99	ALL-SHARE INDEX (599)	1512.12	-0.2	2.82	4.48	-	41	48	1509.32	1518.76	1513.33	1513.33	1513.33

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100% 99% 98% 97% 96% 95% 94% 93% 92% 91% 90% 89% 88% 87% 86% 85% 84% 83% 82% 81% 80% 79% 78% 77% 76% 75% 74% 73% 72% 71% 70% 69% 68% 67% 66% 65% 64% 63% 62% 61% 60% 59% 58% 57% 56% 55% 54% 53% 52% 51% 50% 49% 48% 47% 46% 45% 44% 43% 42% 41% 40% 39% 38% 37% 36% 35% 34% 33% 32% 31% 30% 29% 28% 27% 26% 25% 24% 23% 22% 21% 20% 19% 18% 17% 16% 15% 14% 13% 12% 11% 10% 9% 8% 7% 6% 5% 4% 3% 2% 1% 0%

LONDON SHARE SERVICE

BRITISH FUNDS - Cont.

Yield		Price	Ratio	1982	Yield
%				%	
6.53	6.70	14pc 1981-1	216	+0.4	1260
6.53	6.70	14pc 1981-2	216	+0.4	1260
6.53	6.70	14pc 1981-3	216	+0.4	1260
6.53	6.70	14pc 1981-4	216	+0.4	1260
6.53	6.70	14pc 1981-5	216	+0.4	1260
6.53	6.70	14pc 1981-6	216	+0.4	1260
6.53	6.70	14pc 1981-7	216	+0.4	1260
6.53	6.70	14pc 1981-8	216	+0.4	1260
6.53	6.70	14pc 1981-9	216	+0.4	1260
6.53	6.70	14pc 1981-10	216	+0.4	1260
6.53	6.70	14pc 1981-11	216	+0.4	1260
6.53	6.70	14pc 1981-12	216	+0.4	1260
6.53	6.70	14pc 1982-1	216	+0.4	1260
6.53	6.70	14pc 1982-2	216	+0.4	1260
6.53	6.70	14pc 1982-3	216	+0.4	1260
6.53	6.70	14pc 1982-4	216	+0.4	1260
6.53	6.70	14pc 1982-5	216	+0.4	1260
6.53	6.70	14pc 1982-6	216	+0.4	1260
6.53	6.70	14pc 1982-7	216	+0.4	1260
6.53	6.70	14pc 1982-8	216	+0.4	1260
6.53	6.70	14pc 1982-9	216	+0.4	1260
6.53	6.70	14pc 1982-10	216	+0.4	1260
6.53	6.70	14pc 1982-11	216	+0.4	1260
6.53	6.70	14pc 1982-12	216	+0.4	1260
6.53	6.70	14pc 1983-1	216	+0.4	1260
6.53	6.70	14pc 1983-2	216	+0.4	1260
6.53	6.70	14pc 1983-3	216	+0.4	1260
6.53	6.70	14pc 1983-4	216	+0.4	1260
6.53	6.70	14pc 1983-5	216	+0.4	1260
6.53	6.70	14pc 1983-6	216	+0.4	1260
6.53	6.70	14pc 1983-7	216	+0.4	1260
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6.53	6.70	14pc 1983-9	216	+0.4	1260
6.53	6.70	14pc 1983-10	216	+0.4	1260
6.53	6.70	14pc 1983-11	216	+0.4	1260
6.53	6.70	14pc 1983-12	216	+0.4	1260
6.53	6.70	14pc 1984-1	216	+0.4	1260
6.53	6.70	14pc 1984-2	216	+0.4	1260
6.53	6.70	14pc 1984-3	216	+0.4	1260
6.53	6.70	14pc 1984-4	216	+0.4	1260
6.53	6.70	14pc 1984-5	216	+0.4	1260
6.53	6.70	14pc 1984-6	216	+0.4	1260
6.53	6.70	14pc 1984-7	216	+0.4	1260
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6.53	6.70	14pc 1984-9	216	+0.4	1260
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6.53	6.70	14pc 1984-12	216	+0.4	1260
6.53	6.70	14pc 1985-1	216	+0.4	1260
6.53	6.70	14pc 1985-2	216	+0.4	1260
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6.53	6.70	14pc 1995-4	216	+0.4	1260
6.53	6.70	14pc 1995-5	216	+0.4	1260
6.53	6.70	14pc 1995-6	216	+0.4	1260
6.53	6.70	14pc 1995-7	216	+0.4	1260
6.53	6.70	14pc 1995-8	216	+0.4	1260
6.53	6.70	14pc 1995-9	216	+0.4	1260
6.53	6.70	14pc 1995-10	216	+0.4	1260
6.53	6.70	14pc 1995-11	216	+0.4	1260
6.53	6.70	14pc 1995-12	216	+0.4	1260
6.53	6.70	14pc 1996-1	216	+0.4	1260
6.53	6.70	14pc 1996-2	216	+0.4	1260
6.53	6.70	14pc 1996-3	216	+0.4	1260
6.53	6.70	14pc 1996-4	216	+0.4	1260
6.53	6.70	14pc 1996-5	216	+0.4	1260
6.53	6.70	14pc 1996-6	216	+0.4	1260
6.53	6.70	14pc 1996-7	216	+0.4	1260
6.53	6.70	14pc 1996-8	216	+0.4	1260
6.53	6.70	14pc 1996-9	216	+0.4	1260
6.53	6.70	14pc 1996-10	216	+	

Prospective real redemption rate on projected inflation of (1) and (2) 6%. (3) Figures in parentheses show RPI base interest for 3 months after the last of each year, based on actual rate.

11.21	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049	2050	2051	2052	2053	2054	2055	2056	2057	2058	2059	2060	2061	2062	2063	2064	2065	2066	2067	2068	2069	2070	2071	2072	2073	2074	2075	2076	2077	2078	2079	2080	2081	2082	2083	2084	2085	2086	2087	2088	2089	2090	2091	2092	2093	2094	2095	2096	2097	2098	2099	2100	2101	2102	2103	2104	2105	2106	2107	2108	2109	2110	2111	2112	2113	2114	2115	2116	2117	2118	2119	2120	2121	2122	2123	2124	2125	2126	2127	2128	2129	2130	2131	2132	2133	2134	2135	2136	2137	2138	2139	2140	2141	2142	2143	2144	2145	2146	2147	2148	2149	2150	2151	2152	2153	2154	2155	2156	2157	2158	2159	2160	2161	2162	2163	2164	2165	2166	2167	2168	2169	2170	2171	2172	2173	2174	2175	2176	2177	2178	2179	2180	2181	2182	2183	2184	2185	2186	2187	2188	2189	2190	2191	2192	2193	2194	2195	2196	2197	2198	2199	2200	2201	2202	2203	2204	2205	2206	2207	2208	2209	2210	2211	2212	2213	2214	2215	2216	2217	2218	2219	2220	2221	2222	2223	2224	2225	2226	2227	2228	2229	2230	2231	2232	2233	2234	2235	2236	2237	2238	2239	2240	2241	2242	2243	2244	2245	2246	2247	2248	2249	2250	2251	2252	2253	2254	2255	2256	2257	2258	2259	2260	2261	2262	2263	2264	2265	2266	2267	2268	2269	2270	2271	2272	2273	2274	2275	2276	2277	2278	2279	2280	2281	2282	2283	2284	2285	2286	2287	2288	2289	2290	2291	2292	2293	2294	2295	2296	2297	2298	2299	2300	2301	2302	2303	2304	2305	2306	2307	2308	2309	2310	2311	2312	2313	2314	2315	2316	2317	2318	2319	2320	2321	2322	2323	2324	2325	2326	2327	2328	2329	2330	2331	2332	2333	2334	2335	2336	2337	2338	2339	2340	2341	2342	2343	2344	2345	2346	2347	2348	2349	2350	2351	2352	2353	2354	2355	2356	2357	2358	2359	2360	2361	2362	2363	2364	2365	2366	2367	2368	2369	2370	2371	2372	2373	2374	2375	2376	2377	2378	2379	2380	2381	2382	2383	2384	2385	2386	2387	2388	2389	2390	2391	2392	2393	2394	2395	2396	2397	2398	2399	2400	2401	2402	2403	2404	2405	2406	2407	2408	2409	2410	2411	2412	2413	2414	2415	2416	2417	2418	2419	2420	2421	2422	2423	2424	2425	2426	2427	2428	2429	2430	2431	2432	2433	2434	2435	2436	2437	2438	2439	2440	2441	2442	2443	2444	2445	2446	2447	2448	2449	2450	2451	2452	2453	2454	2455	2456	2457	2458	2459	2460	2461	2462	2463	2464	2465	2466	2467	2468	2469	2470	2471	2472	2473	2474	2475	2476	2477	2478	2479	2480	2481	2482	2483	2484	2485	2486	2487	2488	2489	2490	2491	2492	2493	2494	2495	2496	2497	2498	2499	2500	2501	2502	2503	2504	2505	2506	2507	2508	2509	2510	2511	2512	2513	2514	2515	2516	2517	2518	2519	2520	2521	2522	2523	2524	2525	2526	2527	2528	2529	2530	2531	2532	2533	2534	2535	2536	2537	2538	2539	2540	2541	2542	2543	2544	2545	2546	2547	2548	2549	2550	2551	2552	2553	2554	2555	2556	2557	2558	2559	2560	2561	2562	2563	2564	2565	2566	2567	2568	2569	2570	2571	2572	2573	2574	2575	2576	2577	2578	2579	2580	2581	2582	2583	2584	2585	2586	2587	2588	2589	2590	2591	2592	2593	2594	2595	2596	2597	2598	2599	2600	2601	2602	2603	2604	2605	2606	2607	2608	2609	2610	2611	2612	2613	2614	2615	2616	2617	2618	2619	2620	2621	2622	2623	2624	2625	2626	2627	2628	2629	2630	2631	2632	2633	2634	2635	2636	2637	2638	2639	2640	2641	2642	2643	2644	2645	2646	2647	2648	2649	2650	2651	2652	2653	2654	2655	2656	2657	2658	2659	2660	2661	2662	2663	2664	2665	2666	2667	2668	2669	2670	2671	2672	2673	2674	2675	2676	2677	2678	2679	2680	2681	2682	2683	2684	2685	2686	2687	2688	2689	2690	2691	2692	2693	2694	2695	2696	2697	2698	2699	2700	2701	2702	2703	2704	2705	2706	2707	2708	2709	2710	2711	2712	2713	2714	2715	2716	2717	2718	2719	2720	2721	2722	2723	2724	2725	2726	2727	2728	2729	2730	2731	2732	2733	2734	2735	2736	2737	2738	2739	2740	2741	2742	2743	2744	2745	2746	2747	2748	2749	2750	2751	2752	2753	2754	2755	2756	2757	2758	2759	2760	2761	2762	2763	2764	2765	2766	2767	2768	2769	2770	2771	2772	2773	2774	2775	2776	2777	2778	2779	2780	2781	2782	2783	2784	2785	2786	2787	2788	2789	2790	2791	2792	2793	2794	2795	2796	2797	2798	2799	2800	2801	2802	2803	2804	2805	2806	2807	2808	2809	2810	2811	2812	2813	2814	2815	2816	2817	2818	2819	2820	2821	2822	2823	2824	2825	2826	2827	2828	2829	2830	2831	2832	2833	2834	2835	2836	2837	2838	2839	2840	2841	2842	2843	2844	2845	2846	2847	2848	2849	2850	2851	2852	2853	2854	2855	2856	2857	2858	2859	2860	2861	2862	2863	2864	2865	2866	2867	2868	2869	2870	2871	2872	2873	2874	2875	2876	2877	2878	2879	2880	2881	2882	2883	2884	2885	2886	2887	2888	2889	2890	2891	2892	2893	2894	2895	2896	2897	2898	2899	2900	2901	2902	2903	2904	2905	2906	2907	2908	2909	2910	2911	2912	2913	2914	2915	2916	2917	2918	2919	2920	2921	2922	2923	2924	2925	2926	2927	2928	2929	2930	2931	2932	2933	2934	2935	2936	2937	2938	2939	2940	2941	2942	2943	2944	2945	2946	2947	2948	2949	2950	2951	2952	2953	2954	2955	2956	2957	2958	2959	2960	2961	2962	2963	2964	2965	2966	2967	2968	2969	2970	2971	2972	2973	2974	2975	2976	2977	2978	2979	2980	2981	2982	2983	2984	2985	2986	2987	2988	2989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Continued on next page

EUROPEAN ECONOMIC COMMUNITY

USD 200.000.000 11,50 % 1983/1995

WE SPECULATE ON FUTURE

The numbers of such drawn bonds are as follows :

ask Anne Whitby
Tel: 071-734 7174

and following attached, according to the modalities
of payment on the bonds.

CAL Features Ltd
162 Queen
Victoria Street

Called for redemption on 18/01/89:

ER UPDATES

Amount outstanding after January 18, 1993 :
USD 40.000.000

PAGER

record of successful forex

**THE PRINCIPAL PAYING AGENT
SOGENAL
GROUP SOCIETE GENERALE PARIS
15, Avenue Emile Reuter**

LUXEMBOURG

nd New York. **FREE TRIAL**
316 FAX: +1 31 9488499

ALBERT FISHER FINANCE N.V.

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notice is hereby given that an extraordinary general meeting of **ALBERT FISHER FINANCE N.V.** (the "Company") will be held at 1, Pietermaatsweg 10-11, in Amsterdam on **December 11, 1990**.

The meeting is being called to appoint two replacement Managing Directors

Re Order of The Board of Managing Directors

By Order of the Board of Managing Directors

NUMBERS - Cont.[illegible][illegible][illegible]

29	38.0	3	Real time share price is available through service.
66	49.3	18.5	Annual subscription
272	391.4	18.5	Call +44 71-925 21
7	2.22	-	
30 1/2	38.0	3	
23	23.5	-	
12	2.46	-	
183	22.1	18.3	
43	12.1	6.5	

Super Eddon Fund Mgmt Ltd-270
5, Riverside Rd, Rufus, Ind 46783
Tel: 0277 273 100

[illegible]

● Current Unit Trust prices are available from FT Cityline. For further details call (071) 925 2128.

Continued on next page

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available from FT Cityline. For further details call (071) 925 2128.

[illegible][illegible][illegible][illegible]

	Asset	Liab	Net	Yield	Yield
	Value	Value	Value	to 100	to 100
Merrill Lynch Securities					
Bayport Fund Inc	\$91.73				
North Portfolio Mgt	\$91.73				-5.97
Nikko Capital Mgmt (Foreign) Ltd					
Asian Equity Fund	\$100.00				
Asian Income Fund	\$100.00				
Asian Growth Fund	\$100.00				
Asian Bond Fund	\$100.00				
Asian Divd Growth Fd	\$100.00				
Asian Divd Growth Fd	\$100.00				
Asian Divd Growth Fd	\$100.00				
Quintile International Management Ltd					
Quintile Intl Fund	\$100.00				
Quintile Intl Fund	\$100.00				
Quintile Intl Fund	\$100.00				
Quintile Intl Fund	\$100.00				
Quintile Intl Fund	\$100.00				
Rothschild Asset Management (UK) Ltd					
Rothschild Asset Mgmt	\$100.00				
Rothschild Asset Mgmt	\$100.00				
Rothschild Asset Mgmt	\$100.00				
Rothschild Asset Mgmt	\$100.00				
Rothschild Asset Mgmt	\$100.00				
Sandwell International (Germany) Ltd					
Sandwell Intl Fund	\$100.00				
Sandwell Intl Fund	\$100.00				
Sandwell Intl Fund	\$100.00				
Sandwell Intl Fund	\$100.00				
Sandwell Intl Fund	\$100.00				
Schroder Investment Mgmt (Germany)					
Schroder Intl Fund	\$100.00				
Schroder Intl Fund	\$100.00				
Schroder Intl Fund	\$100.00				
Schroder Intl Fund	\$100.00				
Schroder Intl Fund	\$100.00				
U.S. Treasury Securities Fund Ltd					
U.S. Treasury Securities	\$100.00				
U.S. Treasury Securities	\$100.00				
U.S. Treasury Securities	\$100.00				
U.S. Treasury Securities	\$100.00				
U.S. Treasury Securities	\$100.00				
Windsor Pacific International Mgmt Ltd					
Windsor Pacific Intl	\$100.00				
Windsor Pacific Intl	\$100.00				
Windsor Pacific Intl	\$100.00				
Windsor Pacific Intl	\$100.00				
Windsor Pacific Intl	\$100.00				
Yamatichi Capital Mgmt (Germany)					
Yamatichi Intl Fund	\$100.00				
Yamatichi Intl Fund	\$100.00				
Yamatichi Intl Fund	\$100.00				
Yamatichi Intl Fund	\$100.00				
Yamatichi Intl Fund	\$100.00				
IRELAND (SIB RECOGNISED)					
GAM Fund Management Ltd (UK)					
13 Windsor Place Dublin 2	\$10,353,174				
GAM American Fund	\$100.00				
GAM American Fund	\$100.00				
GAM American Fund	\$100.00				
GAM American Fund	\$100.00				
GAM American Fund	\$100.00				
Global Fund Management Ltd (UK)					
13 Windsor Place Dublin 2	\$10,353,174				
Global American Fund	\$100.00				
Global American Fund	\$100.00				
Global American Fund	\$100.00				
Global American Fund	\$100.00				
Global American Fund	\$100.00				
Global Fund Management Ltd (UK)					
13 Windsor Place Dublin 2	\$10,353,174				
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Global Fund Management Ltd (UK)					
13 Windsor Place Dublin 2	\$10,353,174				
Global American Fund	\$100.00				
Global American Fund	\$100.00				
Global American Fund	\$100.00				</

1. **GENERAL INFORMATION**
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 4. **EMPLOYMENT HISTORY**
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 6. **LEGAL RECORDS**
 7. **CRIMINAL RECORDS**
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 10. **INTERVIEW WITH SUBJECT**
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● Current Unit Trust prices are available from FT Cityline. For further details call (071) 925 2128

[illegible]

3 pm December 3

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1992	1991	1990	1989	1988	1987	1986	1985	1984	1983	1982	1981	1980	1979	1978	1977	1976	1975	1974	1973	1972	1971	1970	1969	1968	1967	1966	1965	1964	1963	1962	1961	1960	1959	1958	1957	1956	1955	1954	1953	1952	1951	1950	1949	1948	1947	1946	1945	1944	1943	1942	1941	1940	1939	1938	1937	1936	1935	1934	1933	1932	1931	1930	1929	1928	1927	1926	1925	1924	1923	1922	1921	1920	1919	1918	1917	1916	1915	1914	1913	1912	1911	1910	1909	1908	1907	1906	1905	1904	1903	1902	1901	1900	1899	1898	1897	1896	1895	1894	1893	1892	1891	1890	1889	1888	1887	1886	1885	1884	1883	1882	1881	1880	1879	1878	1877	1876	1875	1874	1873	1872	1871	1870	1869	1868	1867	1866	1865	1864	1863	1862	1861	1860	1859	1858	1857	1856	1855	1854	1853	1852	1851	1850	1849	1848	1847	1846	1845	1844	1843	1842	1841	1840	1839	1838	1837	1836	1835	1834	1833	1832	1831	1830	1829	1828	1827	1826	1825	1824	1823	1822	1821	1820	1819	1818	1817	1816	1815	1814	1813	1812	1811	1810	1809	1808	1807	1806	1805	1804	1803	1802	1801	1800	1799	1798	1797	1796	1795	1794	1793	1792	1791	1790	1789	1788	1787	1786	1785	1784	1783	1782	1781	1780	1779	1778	1777	1776	1775	1774	1773	1772	1771	1770	1769	1768	1767	1766	1765	1764	1763	1762	1761	1760	1759	1758	1757	1756	1755	1754	1753	1752	1751	1750	1749	1748	1747	1746	1745	1744	1743	1742	1741	1740	1739	1738	1737	1736	1735	1734	1733	1732	1731	1730	1729	1728	1727	1726	1725	1724	1723	1722	1721	1720	1719	1718	1717	1716	1715	1714	1713	1712	1711	1710	1709	1708	1707	1706	1705	1704	1703	1702	1701	1700	1699	1698	1697	1696	1695	1694	1693	1692	1691	1690	1689	1688	1687	1686	1685	1684	1683	1682	1681	1680	1679	1678	1677	1676	1675	1674	1673	1672	1671	1670	1669	1668	1667	1666	1665	1664	1663	1662	1661	1660	1659	1658	1657	1656	1655	1654	1653	1652	1651	1650	1649	1648	1647	1646	1645	1644	1643	1642	1641	1640	1639	1638	1637	1636	1635	1634	1633	1632	1631	1630	1629	1628	1627	1626	1625	1624	1623	1622	1621	1620	1619	1618	1617	1616	1615	1614	1613	1612	1611	1610	1609	1608	1607	1606	1605	1604	1603	1602	1601	1600	1599	1598	1597	1596	1595	1594	1593	1592	1591	1590	1589	1588	1587	1586	1585	1584	1583	1582	1581	1580	1579	1578	1577	1576	1575	1574	1573	1572	1571	1570	1569	1568	1567	1566	1565	1564	1563	1562	1561	1560	1559	1558	1557	1556	1555	1554	1553	1552	1551	1550	1549	1548	1547	1546	1545	1544	1543	1542	1541	1540	1539	1538	1537	1536	1535	1534	1533	1532	1531	1530	1529	1528	1527	1526	1525	1524	1523	1522	1521	1520	1519	1518	1517	1516	1515	1514	1513	1512	1511	1510	1509	1508	1507	1506	1505	1504	1503	1502	1501	1500	1499	1498	1497	1496	1495	1494	1493	1492	1491	1490	1489	1488	1487	1486	1485	1484	1483	1482	1481	1480	1479	1478	1477	1476	1475	1474	1473	1472	1471	1470	1469	1468	1467	1466	1465	1464	1463	1462	1461	1460	1459	1458	1457	1456	1455	1454	1453	1452	1451	1450	1449	1448	1447	1446	1445	1444	1443	1442	1441	1440	1439	1438	1437	1436	1435	1434	1433	1432	1431	1430	1429	1428	1427	1426	1425	1424	1423	1422	1421	1420	1419	1418	1417	1416	1415	1414	1413	1412	1411	1410	1409	1408	1407	1406	1405	1404	1403	1402	1401	1400	1399	1398	1397	1396	1395	1394	1393	1392	1391	1390	1389	1388	1387	1386	1385	1384	1383	1382	1381	1380	1379	1378	1377	1376	1375	1374	1373	1372	1371	1370	1369	1368	1367	1366	1365	1364	1363	1362	1361	1360	1359	1358	1357	1356	1355	1354	1353	1352	1351	1350	1349	1348	1347	1346	1345	1344	1343	1342	1341	1340	1339	1338	1337	1336	1335	1334	1333	1332	1331	1330	1329	1328	1327	1326	1325	1324	1323	1322	1321	1320	1319	1318	1317	1316	1315	1314	1313	1312	1311	1310	1309	1308	1307	1306	1305	1304	1303	1302	1301	1300	1299	1298	1297	1296	1295	1294	1293	1292	1291	1290	1289	1288	1287	1286	1285	1284	1283	1282	1281	1280	1279	1278	1277	1276	1275	1274	1273	1272	1271	1270	1269	1268	1267	1266	1265	1264	1263	1262	1261	1260	1259	1258	1257	1256	1255	1254	1253	1252	1251	1250	1249	1248	1247	1246	1245	1244	1243	1242	1241	1240	1239	1238	1237	1236	1235	1234	1233	1232	1231	1230	1229	1228	1227	1226	1225	1224	1223	1222	1221	1220	1219	1218	1217	1216	1215	1214	1213	1212	1211	1210	1209	1208	1207	1206	1205	1204	1203	1202	1201	1200	1199	1198	1197	1196	1195	1194	1193	1192	1191	1190	1189	1188	1187	1186	1185	1184	1183	1182	1181	1180	1179	1178	1177	1176	1175	1174	1173	1172	1171	1170	1169	1168	1167	1166	1165	1164	1163	1162	1161	1160	1159	1158	1157	1156	1155	1154	1153	1152	1151	1150	1149	1148	1147	1146	1145	1144	1143	1142	1141	1140	1139	1138	1137	1136	1135	1134	1133	1132	1131	1130	1129	1128	1127	1126	1125	1124	1123	1122	1121	1120	1119	1118	1117	1116	1115	1114	1113	1112	1111	1110	1109	1108	1107	1106	1105	1104	1103	1102	1101	1100	1099	1098	1097	1096	1095	1094	1093	1092	1091	1090	1089	1088	1087	1086	1085	1084	1083	1082	1081	1080	1079	1078	1077	1076	1075	1074	1073	1072	1071	1070	1069	1068	1067	1066	1065	1064	1063	1062	1061	1060	1059	1058	1057	1056	1055	1054	1053	1052	1051	1050	1049	1048	1047	1046	1045	1044	1043	1042	1041	1040	1039	1038	1037	1036	1035	1034	1033	1032	1031	1030	1029	1028	1027	1026	1025	1024	1023	1022	1021	1020	1019	1018	1017	1016	1015	1014	1013	1012	1011	1010	1009	1008	1007	1006	1005	1004	1003	1002	1001	1000	999	998	997	996	995	994	993	992	991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AMERICA

Dow claws back early loss on recovery hopes

Wall Street

ALTHOUGH blue-chip stocks continued to lose ground on profit-taking, the rest of the US stock markets either held their ground or posted new gains on growing confidence in the economy, writes Patrick Harverson in New York.

By 1pm the Dow Jones Industrial Average was down 10.80 at 3,275.45, although off its lows of the first hour when it had been down 16 points. The broadly based Standard & Poor's 500 was down only 0.13 at 428.76, while the Amex composite slipped 0.21 to 322.95 and the Nasdaq composite firmed 1.23 to 654.19, a new high for the index. Turnover on the NYSE was heavy at 142m shares by 1pm, and declines outpaced rises by 838 to 741.

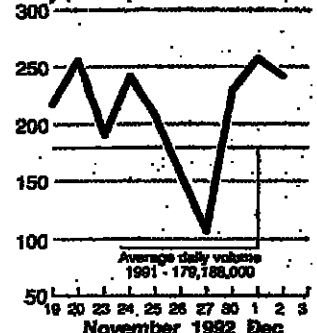
Analysts regard the selling of the last few days as a temporary correction in prices following the recent period of strength. The fundamentals of the market, meanwhile, remained positive, with investors encouraged by signs that economic recovery is picking up. However, there were some concerns about the possible revival in inflation.

The morning's news was mostly positive. Jobless claims fell 12,000 in the third week of

November, October factory orders increased 7 per cent, third quarter non-farm productivity rose 3 per cent, and the latest car sales figures showed strength. Today the November employment report is due to be released.

Woolworth fell 5% to \$31.4 in early trading after the

NYSE volume



retailer reported that November domestic same-store sales fell by 1.1 per cent, and that total sales fell by 6.9 per cent in the month. Although the figures disappointed some investors who had hoped for a post-election bounce in consumer spending, optimism about a strong Christmas period helped Woolworth's shares recover to stand unchanged at \$32 soon

after midday.

Advanced Micro plunged 3% to \$15.4 in turnover of 2.7m shares after a judge ruled that the company had no right to copy certain Intel software in versions of the 486 personal computer microprocessor.

The ruling means that the introduction of a 486 chip to compete with the Intel 486 will be delayed, allowing Intel to enjoy a longer period without competition. Intel, which is traded on the Nasdaq market, jumped 2% to \$76 in turnover of 3.5m shares.

Also on Nasdaq, Pomeroy Computer climbed 8% to \$5.4 after the Cincinnati-based technology company announced it had signed three agreements that would generate more than \$31m in sales and service revenue over the next 12 months.

Canada

TORONTO weakened slightly at midsession as the TSE-300 index slipped 0.3 to 3,265 in volume of 16.9m shares valued at C\$136.5m. Declines outpaced advances by 191 to 170, with 257 unchanged.

The consumer products sector received a boost from a recovery in Seagram, following the weakness on Wednesday. Its shares improved 0.4% to C\$49.1. The consumer products index gained 0.6% to 6,053.91.

France fails to live up to expectations

An economic slowdown and pressure on the franc are to blame, says Alice Rawsthorn

This time last year if any analyst had been asked to predict which European stock markets were likely to be the best performers in 1992, Paris would almost certainly have been at, or near, the top of the list.

So much for predictions. The CAC-40 index now stands just below 1,800, almost the same level as at the start of the year. The French economy has grown faster than many of its European counterparts, notably Germany, but not quite as fast as even the most sceptical analysts expected.

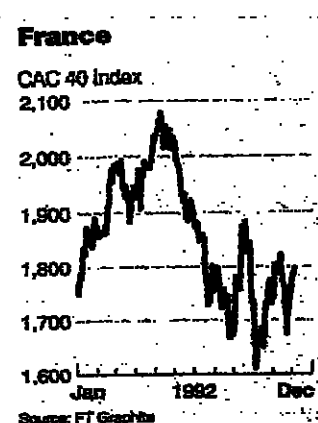
In retrospect the analysts appear to have been hopelessly over-optimistic in their initial forecasts. But at the time they had every reason to expect 1992 to be a robust year, both for France's economy and for the Paris stock market.

The French economy had slowed down in 1991, reflecting

the impact of high real interest rates on domestic demand and the effects of the global recession on France's export markets. The same trends seemed set to continue into 1992. But analysts — and the French government — harboured hopes of an improvement in exports as, thanks to years of low inflation, French companies had become cost-competitive in the international marketplace.

There also appeared to be little risk of an economic volte face from France's socialist government which, led by Mr Pierre Bérégovoy, first as finance minister and then as prime minister, continued to cling to its rigid fiscal policy, despite the continuing increase in unemployment and the steady slide in its popularity in the approach to next spring's elections.

The CAC-40 index rose rap-



idly in the first five months of 1992, just as analysts had expected. By the second week of May it had reached 2,077, nearly 20 per cent higher than at the start of the year. But that was the peak. Since then the Paris stock market has

fallen fairly steadily, dipping down to 1,611 in early October. Growth is the problem. The domestic economy has been stubbornly static, both in terms of consumer spending and corporate investment. Meanwhile exports have slowed down, initially because of the global economic slowdown and latterly due to the strong franc.

The latest analysis from Paribas forecasts growth of just 1.9 per cent for 1992. The prospects for 1993 could be worse. Société Générale warns that France could fall into a vicious circle whereby confidence crumbles, thereby stopping companies from making the investments needed to regenerate the economy.

Meanwhile, the French economic scene is now dominated by one overwhelming issue — what will happen to the franc? The critical question is

whether the franc can continue to resist market pressure to devalue. Both the Bank of France and its new best friend, Germany's Bundesbank, have been forced yet again to bolster the franc in recent weeks.

The government insists that it has no intention of abandoning its franc fort policy of protecting the franc. Indeed to do so before the elections next March would deal a devastating blow to Mr Bérégovoy's credibility, even if it would seem to be the easiest way of avoiding a slowdown in exports and reviving the rest of the economy.

Most analysts suspect that, although the pressure will persist, the franc will probably pull through. The market will then have to bide its time until the elections to see whether the next government has same attachment to the franc.

EUROPE

Frankfurt stays calm amid signs of recession

CONFIRMATION that Germany was closer to recession did not have much impact on Frankfurt yesterday, while Paris was lifted by renewed currency and interest rate speculation, writes Our Markets Staff.

FRANKFURT lost early gains as investors took the view that there was little to get excited about in yesterday's batch of corporate results. The DAX index, which had reached a high of 1,539 early on, fell to an intraday low of 1,526 before closing down 1.46 at 1,532.50. Turnover was little changed at DM4.7bn from DM4.8bn.

A 1.5 per cent fall in west German GNP in the third quarter from the second quarter in line with expectations while news that the steel workers had accepted an 18-month pay package worth 3.8 per cent was taken as a sign that realism had entered wage settlements. On Tuesday insurance employees accepted a 4.2 per cent salary increase, having sought 7.5 per cent.

Commerzbank provided no surprises in its 10-month figures when it reported a 13 per cent rise in group operating profit. The shares initially reacted with a DM2.20 gain to the day's high of DM247.00 but came back after the bank said that there was no room to improve last year's DM10 dividend to close unchanged at DM244.80.

Elsewhere in the sector, Deutsche Bank lost DM3.50 to DM669 ahead of its results next week, while Bayerische Hypo Bank was unchanged at DM402 on a 12 per cent increase in operating profit.

Haniel lost another DM18 or 3 per cent to DM551 on Wednesday's disappointing 1992 profits forecast and Volkswagen was DM1.70 weaker at DM253.30 after the company said orders for its vehicles were declining in spite of a 5.6 per cent rise in deliveries in the first 10 months. Kugelfischer, forecasting full-year losses above DM132m as against a DM81m deficit in 1991, eased DM2 to DM112.

SOUTH AFRICA

STRONG offshore demand for gold shares sent the index up by 42 or 4.8 per cent to 905, though off the day's high of 912. The overall index put on 42 to 3,246 while industrials rose 29 to 4,258. Vaal Reef gained R2.50 to R149.

FT-SE Actuaries Share Indices											
THE EUROPEAN SERIES											
December 3											
Hourly changes		Open	10.30	11.00	12.00	13.00	14.00	15.00	Close		
FT-SE Europe 100		1055.00	1054.00	1053.82	1053.10	1053.70	1055.00	1056.11	1056.11		
FT-SE Europe 200		1133.33	1133.17	1133.34	1134.46	1136.21	1139.19	1139.42	1139.42		
THE EUROPEAN SERIES											
December 2											
Hourly changes		Open	10.30	11.00	12.00	13.00	14.00	15.00	Close		
FT-SE Europe 100		1052.11	1056.79	1057.75	1049.92	1049.05	1049.05	1049.05	1049.05		
FT-SE Europe 200		1130.96	1135.62	1132.14	1122.37	1122.37	1122.37	1122.37	1122.37		

Source: Reuters (FT-SE) and Bloomberg (FT-SE)

interest, dealers said.

The hotel group Ciga remained weak on worries about its financial situation and the shares fell 1.37 or 13.2 per cent to L898. The retailer Rinascente regained some ground after its recent fall, rising 1.62 to L6,732.

AMSTERDAM turned its attention to Dax after the truck maker announced further restructuring plans and said that it hoped to conclude talks soon with banks regarding a refinancing package. The shares were temporarily suspended at F1.540 and then closed unchanged at F1.620, though some analysts commented that there was really nothing new in the announcement. The CBS Tendency index was 1.2 higher at 105.6.

Cyprus stocks remained in favour with investors. DSM up 1.10 at F16.50. Akzo rising steadily to an estimated L160bn from L171bn on Wednesday.

General was in focus, as it dropped L280 to L27,740 on one or two big sell orders. However, its drop below 28,000 prompted some buying

higher at 211.40. Repsol came off the day's high of F12,500, on news that a chartered Greek tanker had run aground off Spain, raising fears that the company might be liable for clean-up costs. The shares closed P130 higher at P12,575.

ZURICH was encouraged by lower short-term interest rates as the SMI index gained 4.7 to 1,328.6. SMI, the watch manufacturer, saw its registered shares rise SFR5 to a year's high of SFR1,405.

STOCKHOLM eased as lower domestic interest rates failed to offset gloomy predictions for the Swedish economy. The Affarsvärlden General index fell 2.6 to 892.6 in turnover of SKr700m.

VIENNA fell in light volume as the ATX index closed 8.37 down at 761.54. Wienerberger, the building materials supplier, lost Sch10 to Sch2,550 with a large sell order being noted.

ISTANBUL fell back as metal workers threatened to strike and investors waited for the release today of November inflation data. The 75-share index lost 21.76 to 3,921.88 in turnover of TL192.7bn.

ASIA PACIFIC

Fall-out from Hong Kong spreads throughout region

Tokyo

A FURTHER sharp fall in Hong Kong triggered selling in Japanese shares yesterday, writes Emilio Terazono in Tokyo.

The Nikkei average fell 133.60 to 17,260.08, although buying by investment trusts and arbitrageurs pushed the index up to the day's high of 17,508.32 at the start of the afternoon session. However, short selling and profit-taking by dealers depressed the Nikkei to the day's low of 17,205.32 just before the close.

Volume rose to 240m shares from 206m. Declines led advances by 573 to 367 with 172 issues remaining unchanged. The Topix index of all first section stocks fell 4.23 to 1,304.08 and in London, the ISE/Nikkei 50 index rose 0.09 to 1,051.29.

Traders said investors used the fall in Hong Kong as an excuse to take profits. "It's a consolidation period, as investors have started to realise that the recent rise may have not been backed by economic fundamentals and corporate profits," said Mr Takatoshi Okuyama at Daiwa Securities.

Most investors, including public funds, waited on the sidelines for third quarter GNP figures which were announced in the afternoon. Traders said that while the 1.8 per cent annualised fall from the previous quarter shocked investors, hopes of an imminent cut in the discount rate emerged.

In spite of the fall on the first section. The second section rose 4.06 to 1,677.76, gaining for the 11th consecutive day as dealers targeted small-capitalisation shares.

Dealers also traded specula-

tive issues, with Nippon Carbon, second most active issue of the day, unchanged at ¥613 and Clarion up ¥18 to ¥485.

High-technology issues were lower on profit-taking, with Toshiba down ¥4 to ¥318 and NEC retreating ¥9 to ¥359.

Toy makers, which firmed on hopes of robust sales ahead of Christmas, also fell on profit-taking. Bandai lost ¥150 to ¥3,630 and Konami fell 80 to ¥2,870.

Morinaga Milk Industry jumped ¥57 to ¥700 on reports that the company had started drug research for a new virus. In Osaka, the OSE average fell 54.68 to 18,718.60 in volume of 35.4m shares. Machinery and construction stocks fell on profit-taking, while pharmaceuticals and electronics companies gained ground.

Roundup

THE fall-out from Hong Kong was felt throughout the region. HONG KONG crashed 8 per cent as the stand-off between Governor Chris Patten and China's leaders prompted panic selling across the board. However, a small bounce in the Hang Seng index in the final minutes and a slight premium in December futures on the Hang Seng raised hopes that the market might be close to its bottom.

The Hang Seng index ended 433.44 lower at 4,378.21, but off the day's low of 4,378.75. Turnover jumped to HK\$5.5bn from HK\$3.5bn. Among the most active stocks, HSBC was down HK\$4 at HK\$351 and Cheung Kong 90 cents lower at HK\$18.

SINGAPORE closed lower in cautious trading as sentiment was dampened by Hong Kong. The Straits Times industrial

index fell 11.55 to 1,448.34 in volume of 86.62m shares.

Speculative interest in companies linked to Multi-Purpose Holdings Bhd (MPHB) remained but there was little profit-taking. MPHB lost 7 cents to \$81.55 and it was the most active share with 6.21m traded.

AUSTRALIA was also depressed by Hong Kong but dealers noted an inflow of capital into Australia from Hong Kong. The All Ordinaries index closed 4.6 down at 1,433.8 in turnover of A\$141.4m.

The gold sector was weak as an ownership dispute at the Porgera gold mine in Papua New Guinea weighed on shares. The three listed co-owners of Porgera continued a slide begun last month on news that the PNG government wanted to raise its 10 per cent stake to 30 per cent. Placer Pacific slid 8 cents to A\$1.10, Highlands Gold 4 to 63 cents and Remson Goldfields 2 cents to A\$2.65.

NEW ZEALAND finished lower for the third consecutive day as the market continued to consolidate from a strong run. The NZSE-40 Capital Index closed down 6.02 at 1,619.54 in turnover of NZ\$25m.

SEOUL fell after the central bank's rejection of a cut in interest rates. The index closed 11.27 lower at 639.93 in turnover of Won\$30.87bn.

TAIWAN reversed early gains to end lower and the weighted index closed 21.62 down at 3,614.08 in thin turnover of T\$4.9bn.

MANILA rose for the third day on hopes of better economic conditions in the Philippines in 1993. The composite index went up by 6.14 to 1,279.54.

In Rio, major nations agreed to spend billions to control pollution. Guess who's the leader in controls?

A major worldwide effort of unprecedented proportions began at the Earth Summit to preserve the

manufacturing operations. They also help industries meet tighter production specifications.

For instance, Honeywell controls are in 60 million American homes, 46 million homes in Europe, and



world's natural resources. Undoubtedly, it will continue for years, if not decades.

Equally undoubted, we feel, will be Honeywell's involvement. By being able to provide the kind of technology and services that will be crucial to meeting these tough environmental goals.

For this reason, we believe Honeywell is poised for continued growth through the decade.

You see, today we are in just one business. Controls. Sophisticated ones that perform thousands of tasks that are too fast, precise, dangerous, remote, boring or labour-intensive for people to tackle.

And that, it turns out, also helps customers deal with environmental and pollution problems.

Because Honeywell controls and systems help maximize efficient energy consumption for building and

That helps minimize waste and hazardous by-products — not to mention the demand for resources.

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Stock Performance

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Last year, measured on a comparable basis, sales increased in each of our three businesses. All in a soft global economy. Therein lies another strength of our broad market presence. We have the ability to remain competitive throughout economic cycles.

We believe that's one reason our stock price has gained value every year since 1989. See for yourself on the graph.

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FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

WEDNESDAY DECEMBER 2 1992											
TUESDAY DECEMBER 1 1992											
DOLLAR INDEX											
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	% chg on day	Gross Div Yield	US Dollar Index	Pound Sterling Index	Yen Index
Australia (68)	114.32	-0.5	109.45	89.89	93.37	111.31	-0.3	4.36	114.87	110.84	90.33
Austria (19)	140.91	+1.8	134.91	110.81	116.09	115.18	+0.4	2.45	138.78	133.69	108.11
Belgium (42)	135.92	+0.8	130.14	105.88	111.02	108.44	-0.6	5.98	134.88	106.05	110.79
Canada (113)	112.84	+0.2	108.04	88.73	92.16	90.74	-0.1	3.24	112.85	108.89	89.57
Denmark (34)	192.65	+1.6	184.45	151.49	157.35	159.78	+0.8	1.71	189.59	182.93	149.08
Finland (15)	72.30	-0.3	68.22	56.98	59.05	57.29	-0.7	1.63	72.55	70.00	57.05
France (89)	146.88	+0.3	140.63	115.49	123.44	123.44	-0.5	3.85	146.50	141.76	115.20
Germany (64)	108.87	+0.0	102.32	84.05	87.29	87.29	-0.6	2.90	106.90	103.15	84.07
Hong Kong (53)	218.88	-1.9	209.57	172.12	178.78	217.55	-2.1	4.13	223.13	215.30	175.45
Ireland (16)	138.59	+0.6	132.69	108.98	113.19	116.17	-0.4	4.71	138.36	133.29	108.36
Italy (77)	55.31	-1.3	52.95	43.49	45.17	47.43	-2.0	3.82	56.02	54.05	44.05
Japan (472)	105.36	+0.4	100.88	82.85	88.07	82.85	+0.4	1.02	104.96	101.27	82.83
Malaysia (69)	274.16	+0.8	262.49	215.57	223.91	268.03	+1.0	2.47	271.97	262.43	213.86
Mexico (18)	1568.03	-1.6	1501.29	1233.02	1280.70	1542.08	-1.5	1.12	1592.84	1536.96	1252.54
Netherlands (25)	153.06	+0.4	148.55	120.38	125.02	123.37	-0.3	5.61	152.43	147.08	119.26
New Zealand (16)	153.06	+0.4	148.55	120.38	125.02	123.37	-0.3	5.61	152.43	147.08	119.26
Norway (22)	148.88	+2.9	143.50	117.86	122.42	130.75	+1.8	1.85	145.83	140.62	114.82
Portugal (38)	205.57	-0.2	198.82	161.65	167.90	165.03	-0.1	2.13	205.83	198.71	161.94
South Africa (80)	148.40	+1.1	139.21	114.33	115.21	115.21	+0.0	3.30	143.87	138.72	113.13
Spain (48)	148.40	+1.1	139.21	114.33	115.21	115.21	+0.0	3.30	143.87	138.72	113.13
Sweden (31)	188.59	+0.4	180.50	151.00	158.07	168.84	-0.8	2.35	187.18	181.32	151.47
Switzerland (50)	108.88	+1.3	105.21	88.41	89.76	94.86	-0.2	2.25	108.45	104.64	85.28
United Kingdom (227)	170.27	-0.1	163.03	133.88	139.08	163.03	-0.9	4.50	170.41	164.43	133.89
USA (922)	175.08	-0.2	168.20	138.15	143.49	175.08	-0.2	2.90	176.07	169.89	136.46
Australia (779)	135.74	+0.1	129.96	106.74	110.07	129.98	-0.7	3.89	135.61	130.85	106.44
Canada (102)	151.45	+0.5	146.08	119.98	123.70	136.25	-0.2	2.12	150.75	145.46	118.54
Denmark (713)	192.65	+1.6	184.45	151.49	157.35	159.78	+0.8	1.71	189.59	182.93	149.08
France (692)	120.15	+0.2	115.04	94.48	98.13	101.24	-0.2	2.52	119.59	115.74	94.32
Germany (636)	171.79	-0.2	164.47	135.10	140.33	170.87	-0.2	2.91	172.14	166.10	135.38
Norway Ex. UK (552)	115.01	+0.2	112.12	90.48	93.96	98.20	-0.6	3.43	114.76	110.10	90.26
Portugal Ex. Japan (241)	150.83	-0.8	144.41	116.52	121.33	133.22	-0.8	3.34	149.76	144.65	116.52
Spain Ex. UK (168)	128.53	+0.0	124.76	98.88	103.37	107.29	-0.4	2.44	128.87	116.83	99.06
Sweden Ex. UK (1978)	185.53	+0.0	128.76	106.58	110.71	121.78	-0.1	2.48	132.56	130.76	106.57
Switzerland Ex. Japan (2145)	138.61	+0.0	132.71	108.01	112.22	125.13	-0.2	2.69	138.62	133.75	108.02
United Kingdom Ex. Japan (1763)	167.37	-0.1	160.67	123.78	128.56	150.19	-0.4	3.27	167.58	152.05	123.93
The World Index (2205)	138.56	+1.0	132.68	106.95	113.17	125.43	-0.2	2.69	138.54	133.66	108.95
World Financial Times	138.56	+1.0	132.68	106.95	113.17	125.43	-0.2	2.69	138.54	133.66	108.95
World Financial Times	138.56	+1.0	132.68	106.95	113.17	125.43	-0.2	2.69	138.54	133.66	108.95
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World Financial Times	138.56	+1.0	132.68	106.95	113.17	125.43	-0.2	2.69	138.54	133.66	108.95
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World Financial Times	138.56	+1.0	132.68	106.95	113.17	125.43	-0.2	2.69	138.54	133.66	108.95
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World Financial Times	138.56	+1.0	132.68	106.95	113.17	125.43	-0.2	2.69	138.54	133.66	108.95
World Financial Times	138.56	+1.0	132.68	106.95	113.17	125.43	-0.2	2.69	138.54	133.66	108.95
World Financial Times	138.56	+1.0	132.68	106.95	113.17	125.43	-0.2	2.69	138.54	133.66	108.95
World Financial Times	138.56	+1.0	132.68	106.95	113.17	125.43	-0.2	2.69	138.54	133.66	108.95
World Financial Times	138.56	+1.0	132.68	106.95	113.17	125.43	-0.2	2.69	138.54	133.66	108.95
World Financial Times	138.56	+1.0	132.68	106.95	113.17	125.43	-0.2	2.69	138.54	133.66	108.95
World Financial Times	138.56	+1.0	132.68	106.95	113.17	125.43	-0.2	2.69	138.54	133.66	108.95
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World Financial Times	138.56	+1.0	132.68	106.95	113.17	125.43	-0.2	2.69	138.54	133.66	108.95
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